

Canada Agricultural Insurance Company.

DEFENCE
OF
EDWARD H. GOFF

AGAINST CHARGES MADE BY

PHILIP S. ROSS,

Special Auditor Canada Agricultural Insurance Company.

PRESENTED TO SHAREHOLDERS JAN. 22, 1878.

MARCH 2, 1878.

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DEFENCE

BOWARD H. GOLF

1878

(7)

PHILIP S. ROSS

Special Agent

CANADA AGRICULTURAL EXPERIMENT COMPANY

REPORT TO THE BOARD OF DIRECTORS

1878

THE DEFENCE.

MONTREAL, March 2, 1878.

To the Shareholders of the Canada Agricultural Insurance Society.

GENTLEMEN, — Mr. Ross has presented you with his Report in pamphlet form, which gives you the result of his labors as "Special Auditor" of your Company. The Report has been circulated broadcast over the country; and the public press, believing its contents true, have been most severe in their condemnation of my management.

During the time that Mr. Ross was occupied in making his audit and examination of your Company's books, I was denied common "British fair play" of giving any explanations whatever.

On receipt of the Report I immediately called upon Mr. Sowdon, the Company's Auditor until Mr. Ross's appointment, for a counter-statement, which is just completed; and I now present it to you, together with Mr. Ross's Report reproduced.

It will be borne in mind, that, after Mr. Ross presented his *Interim* Report to the Directors (Dec. 6 last), Mr. Ross, and Mr. William T. Fish, who has acted as General Agent at Cobourg, Ont., were appointed Joint Trustees and Managers, and entered upon their duties immediately.

Mr. Fish is no friend of mine, in consequence of my strenuous attempts to reduce the working expenses of his agency, and effect reforms in its management, together with other agencies, which I considered necessary in order to save the Company from its present unfortunate position. These reforms were attempted at this and other agencies, but with little effect. All would agree as to their necessity, *until it affected their own pockets*. I had a selfish and greedy lot of men to deal with, who wanted me to finance for money, and let them literally *grab* every dollar as fast as it came into the office. In the hands of these men I was utterly powerless to make reforms, or save the Company.

The principal agencies were either in the hands of Directors, or under their protecting influence, so that their *opinions* were all-powerful; and the management, in reality, was in their hands, instead of the Manager's.

I shall now refer to the correspondence between Mr. Ross and myself, inasmuch as Messrs. Ross and Fish have embraced every opportunity of

giving *ex parte* statements to the public press, in order to mould public opinion against me, and in their favor; such, for instance, as writing me letters, and giving copies of same to the press, to convince them of their *desire* to afford me every facility to defend myself against their attacks, but taking good care not to exhibit my replies. I shall give below copies of *all* the correspondence, that the public may judge impartially between the statements made by Messrs. Ross and Fish and myself.

Mr. Ross's first letter was received by me Dec. 26, 1878; and as it treated upon several subjects contained in his *Interim* Report, which had been fully answered in my "Letter to the Shareholders" of Dec. 20 (a full copy of which will be found in back part of this pamphlet), I simply sent him a copy of said letter, requesting him to accept it as my answer.

Regarding vouchers, which I omitted in my reply, I have simply to say, I never had them in my possession. They were always furnished the Cashier, and by him placed on file. If they are not in the Company's vault, I do not hold myself responsible, as I know nothing about them.

Below is Mr. Ross's letter:—

CANADA AGRICULTURAL INSURANCE COMPANY,
MONTREAL, Dec. 21, 1877.

E. H. GOFF, Esq.

Dear Sir, — I called several times to see you on the following heads, but was unfortunate in my calls; viz.:—

Rent of premises. It is so far behind, you will excuse its being pressed.

Notes taken from Miss Finder. I would like to have them returned, and make demand as instructed.

The books with memorandum of transfer of stock, which you promised to let me have. Trusting to your word to let me have them at any time, I let them away.

The note of \$38,000 having been made all but useless by the indorsation on the back, I ask you for a new one, or return of the bonds.

Will Mr. Sowdon or yourself furnish me with the vouchers for cash entries for 1874 and 1875?

You are welcome to access to any books or papers of the Company at any time you may desire, provided you let Mr. Fish or myself know the time you appoint; and one of us will wait on you to supply every thing you want to see.

Don't put the paragraph in "The Star" to me. I had nothing to do with it. Waiting the favor of your reply,

I am, sir, yours truly,

(Signed)

PHILIP S. ROSS, Joint Manager C. A. I. Co.

REPLY.

P. S. ROSS, Esq., Joint Trustee and Manager C. A. Ins. Co., Montreal.

Dear Sir, — On my return to town yesterday A.M., I received your letter of the 21st; and as my letter to the shareholders of the Company, under date of 20th instant, comments upon the different points to which you allude, I now enclose one herewith, and ask you to accept it as my answer to your letter.

Very truly yours,

(Signed)

EDWARD H. GOFF.

To show the ungentlemanly and unbusiness-like manner in which Mr. Ross conducted his examination and audit, seeming desirous of playing the "detective," I give herewith copy of a letter he addressed to Mr.

Smith of Brome concerning the sale of a mortgage. Had Mr. Ross asked me for information regarding the transaction, it would have been much more business-like than addressing a letter to Mr. Smith to elicit an explanation, which he hoped, as is reasonable to suppose, would commit me in some way, and, at the same time, rouse a suspicion in the mind of Mr. Smith that I was in some way guilty of dereliction of duty. This mortgage was purchased by the Company, and afterwards sold at par with accrued interest, purchasing same myself, and paid cash for it. I afterwards sold it; and, as the notarial transfer from Mr. Smith to the Company had been overlooked, I asked him to transfer it direct to the party purchasing from me, in order to make the transaction as simple and inexpensive as possible. Below is the letter:—

CANADA AGRICULTURAL INSURANCE COMPANY,
MONTREAL, Jan. 5, 1878.

C. D. SMITH, Esq.

Dear Sir,—In the fall of 1875 you transferred to this Company a mortgage on E. C. Carter, Esq., for \$778.00, and interest, \$154.35, receiving in payment thereof cash, Jan. 10, 1876, the sums of \$212.19, \$215.16; and March following, bill payable, \$500.

I now find, on application to Mr. Carter, that you have transferred this to some other person. Would you be kind enough to explain why you did this? You must have known it was wrong to take away a security pledged with us, without first securing our consent. Your reply will much oblige

Yours truly,

(Signed)

PHILIP S. ROSS, *Joint Manager and Trustee.*

One would naturally infer from the latter part of Mr. Ross's letter that Mr. Smith had *stolen* this mortgage.

NOTE.—Fearing Mr. Ross's letter might create some uneasiness in the minds of Mr. Carter's friends, I would explain. The mortgage was on his residence, instead of himself.

When I moved my books and papers from the office of the Canada Agricultural Insurance Company, where I occupied private offices by invitation of the Board of Directors, I moved to the office of the M. P. & B. R.R. Company, of which I was President; and, not having room there for my private desk and office-chair, I left them in the Insurance Office. I may here mention that the Railway Company occupied offices at 247 St. James Street, which were rented from the Insurance Company. As I was the executive officer of the Railway Company, and one of its principal owners, the Insurance Company looked to me for payment of the rent, which I had always paid myself. At this time I had allowed the rent account to run in arrears, inasmuch as I was continually raising and loaning money to the Insurance Company, and they were owing me a considerable amount. The Insurance Company should therefore have charged me with the rent on account of my cash advances.

Nearly all the furniture and fixtures, including desks, safes, &c., is my private property; and Mr. Ross, thinking to annoy me all he could, brought suit for rent account, and seized contents of the office: after

which I concluded to hire a new office, and let him gratify his vindictiveness by selling the property; and I asked for my office desk and chair which I left in the insurance-office, with result as shown in his reply to the following:—

MONTREAL, Jan. 11, 1878.

P. B. ROSS, Esq., Joint Trustee and Manager C. A. Ins. Co., Montreal.

Dear Sir,—I would feel obliged if you would deliver my office-desk and chair to bearer to-day, as I require it for my own use. Your Company having taken such extreme measures in seizing on all the furniture in the office of the M. P. & B. R.R. Company, all of which is private property, and the majority of same belonging to me, I must now secure another office; and I require my desk and chair which I left in your office. Mr. Campbell will point out the property, if you do not know which it is.

Very respectfully,

(Signed)

EDWARD H. GOFF.

REPLY.

CANADA AGRICULTURAL INSURANCE COMPANY,
MONTREAL, Jan. 12, 1878.

E. H. GOFF, Esq.

Dear Sir,—After consultation with my colleague, we do not see how we can part with any asset just now. No one in the office can say that the desk or chair is yours, or what desk or chair it is, as we have inquired at them all: so that we decline parting with any thing but your books and papers, if there are any here.

After the annual meeting, we shall be either turned out, or have more power to act.

Yours truly,

(Signed)

ROSS & FISH, Joint Managers and Trustees.

The next letter was received *Saturday afternoon* previous to meeting of shareholders called for Tuesday, Jan. 22; and was the first time an opportunity was afforded me of learning the contents of the Report, except what might be gathered from the *Interim Report*.

Mr. Ross was appointed Special Auditor by the Directors Sept. 26, 1877; after which I met him in the office almost daily: but from his first entry into the office until his *Interim Report* was presented to the Board, Dec. 6, 1877, he never mentioned the subject of his work to me, or asked me a single question relative to the Company or its business.

When the *Interim Report* was presented to the Board, I disputed its accuracy, and demanded an immediate opportunity of making explanations, which was faithfully promised me by Mr. Ross and the Directors. This promise was grossly violated by ignoring it altogether, and the *Interim Report* immediately given Mr. Foley of "The Journal of Commerce" by Mr. Ross, from which a very severe article was prepared and published in the next issue of said paper. Upon my charging Mr. Ross with the violation of his promise, he denied having given Mr. Foley the Report, and intimated that Foley had purloined it from the office; which I learned, on inquiry of Mr. Foley, to be untrue. Immediately after the appearance of the article in "The Journal of Commerce," Mr. Fish gave copies of the *Interim Report* to the daily press for publication.

I leave it for the public to judge whether it was the desire of these gentlemen to act as impartial auditors, or use their position to do me all the injury they could. I now wish to withdraw the apology made for Mr. Ross in my letter to the shareholders of Dec. 20, 1877, saying I did not think him responsible for the publication of the Interim Report. I took his word for it, and *supposed he told me the truth*. The following is Mr. Ross's letter:—

CANADA AGRICULTURAL INSURANCE COMPANY,
MONTREAL, 19th January, 1878.

E. H. GOFF, Esq.

Dear Sir,—I asked and appointed with Mr. Sowdon to meet me and go over some of figures; but he replied that he was busy. I told Mr. Campbell to invite you to meet with some members of the Board yesterday evening, to hear the Report read; but I am sorry you were not present. As I understand that it is intended to read said Report to the meeting of shareholders, should you desire to see it beforehand, you might appoint an hour on Monday forenoon, afternoon, or evening from eight to ten, and I will place myself at your disposal for that purpose.

I am, sir, yours truly,

(Signed)

PHILIP S. ROSS.

REPLY.

P. S. ROSS, Esq.

MONTREAL, Jan. 19, 1878.

Dear Sir,—I am this moment in receipt of yours of this date, referring to Board meeting of the Canada Agricultural Insurance Company yesterday, and saying I was invited to be present, and that you regret my not accepting the invitation, as your Report was to be read before the Board. In answer, permit me to say, I received the usual printed notice only: no invitation more than this was sent me. Regarding Mr. Sowdon not meeting you, I would say, I told Mr. Sowdon I considered, that, inasmuch as both yourself and the Board of Directors had not kept faith with me in my request to be given an opportunity to explain any items in the books which you did not understand before your Report was made public, which was promised me, I did not want him to undertake any explanations, unless I could be given this opportunity; and that I should still hold myself in readiness to answer any questions you might ask, and would be glad to meet you in the office at any time you might name for that purpose. He (Mr. Sowdon) afterwards told me you would see me last week; and I appointed Thursday evening to meet you, which he informed me was satisfactory to you. On Thursday, the day named, Mr. Sowdon informed me he had met you, and you desired him to say you could not meet me during that week. I have, therefore, held myself in readiness to meet you any time since, but have not asked the privilege, as it was, at different times, denied me before. I shall be pleased to accept your invitation for Monday evening, and would respectfully suggest that Messrs. Angus, Ramsay, and Sowdon be invited to meet you with me.

Yours truly,

(Signed)

EDWARD H. GOFF.

Below I give copy of the invitation alluded to in Mr. Ross's letter above. It is the usual printed form, and reads as follows:—

OFFICE CANADA AGRICULTURAL INSURANCE COMPANY,
180 ST. JAMES STREET,
MONTREAL, 17th January, 1878.

Sir,—A meeting of the Board of the Canada Agricultural Insurance Company will be held at the office of the Company in Montreal on to-morrow (Friday), 18th instant, at four o'clock P.M., for the transmission of business.

Respectfully yours,

W. CAMPBELL, Secretary.

Below I give copy of Mr. Ross's reply to mine of this date, appointing Monday evening to listen to his reading of the Report. A careful perusal of this I think quite sufficient to show the lack of sincerity in the words used by Mr. Ross in the opening portion of his Report: "If I say hard things, therefore, in this Report, it is much against my inclination that I do so, and without any feeling except that of regret." And yet he plainly tells me in this letter, "I do not wish to argue any question in so doing;" feeling, I suppose, the time was so near when he could, if the Report was not changed, deal me a crushing blow. He again says, "But I am open to conviction as to whether the statements I make are from the records." Of the truthfulness of this assertion I will leave the public to judge, after reading the report of Mr. Sowdon. Notwithstanding explanations were made by me that evening, showing the utter falsity of a considerable portion of the Report, very much of which he did not obtain from the Company's books or records at all, he did not alter a single statement; simply treated my explanations with contempt, and persisted in reading a Report to the shareholders of the Company, and placing the same in the hands of the public press, which he knew to be a *base falsehood*, with no other purpose than an attempt of doing me injury by prejudicing public opinion against me, and thus *pleasing* those in whose *employ* he was acting as a tool of persecution. Here is a copy of the letter:—

CANADA AGRICULTURAL INSURANCE COMPANY,
MONTREAL, 10th January, 1878.

E. H. JOFF, Esq.

Dear Sir,— Yours received. I shall be on hand from eight to ten on Monday evening. I have not the slightest objection to Messrs. Ramsay, Angus, and Sowdon being present.

If you want me to read the Report, I will take about an hour to do so. Of course I do not wish to argue any question in so doing; but I am open to conviction as to whether the statements I make are from the records.

The Report was only ready on Thursday evening last; and I would not have read it in presence of any person other than yourself, not even Mr. Sowdon, till it went to the Board. For this reason, I told Mr. Sowdon I wanted him one night, and you another.

I am, sir, yours truly,

(Signed) PHILIP S. ROSS.

Mr. Ross pays a very poor compliment to my common sense if he imagines he can cram me with his oily words in the closing sentence of the above letter. He says his Report was only ready on the Thursday evening (17th) previous. If this is *true*, how was he to have presented it to the shareholders' meeting first called for *Tuesday, Jan. 15?* which date was only changed to the 22d because legal notice had not been given. I say boldly, *if the Report was not ready until Thursday evening, the 17th January, it simply suited Mr. Ross to delay it in order to stifle explanations before it could be used.* Again: he has the effrontery to tell me he "would not have read it in the presence of any person other than yourself, not even Mr. Sowdon, till it went before the Board." I simply ask the perusal of an article from "The Monetary Times" of Toronto, Dec. 28, 1877, which I reproduce in the back part of the pamphlet, and let the

reader judge if the editor of this journal, 883 miles from Montreal, could have written such an article on mere street rumors, or from the meagre information given in Mr. Ross's *Interim Report*. Is it not plainly evident that the same hands that prepared the Ross Report (and I here give credit for Mr. Ross being favored with other ingenuity than his own in its preparation) either supplied the information for this article, if, indeed, it was not written by them? *I have good reason for saying I believe it was written in the office of the National Insurance Company.*

And, as further evidence of the correctness of this assertion, I may tell the public it was the *National Insurance Company* that made the "*reasonable offer to re-insure.*" In fact, the offer was *extremely liberal*,—so much so, that they *generously* offered to let the Directors move the whole Company—its property and effects—into the office of "*The National,*" and their philanthropic President and Secretary would take it in charge, and wind up its affairs; and, strange to say, this proposal found advocates on the Board of "*The Canada Agricultural.*" When the proposal came to my knowledge, I told Mr. Angus, the President of the Company, very plainly, that I should oppose it in every way possible; that the proposal was simply a *sleight-of-hand performance* on the part of Ogilvie and Lye to get an opportunity by which they hoped to gratify their desire to attack me; and, furthermore, the very idea of re-insuring in "*The National*" was simply *ridiculous*, as the Company, through the bad management of its officers, had become a *hollow bankrupt concern*, unsafe for re-insurance, and totally unworthy of public confidence; and, as proof that my predictions were correct, I would refer the reader to the statement of the Company's affairs presented to the shareholders Feb. 9, 1878. After it was known that I had opposed this *sham re-insurance dodge*, it became necessary to give me a severe chastisement, and at the same time, *frighten* the Agricultural Directors into the acceptance of their offer: therefore the article in question was devised, and the editor of "*The Monetary Times*" opened the columns of his paper for the "*administration of justice*;" and, after a studied attempt at hurling all the abuse upon me which this worthy trio—Ogilvie, Ross, and Lye—could invent, the article winds up with the advice, "*The best thing they can do is at once to re-insure on the terms already offered.*" I will give them credit for one sensible idea in this article (although I suppose it was borrowed for the occasion): "*This revelation must occasion the fear that there are other organizations deserving the inspection of the commercial anatomists.*" I would advise the application of this advice to the *National Insurance Company*, which their statement shows the necessity for.

On listening to the reading by Mr. Ross of his Report on Monday evening previous to annual meeting, and remonstrating with him for the glaring untruths it contained, the only satisfaction received was an *insinuating laugh* from him: as much as saying, "I've got you just where I want you." I left him in disgust, and the next A.M. wrote the following letter to the Directors, in the hope that they had not entirely lost all reason, and were possessed of a sufficient sense

of justice to prevent the publication of a Report which I firmly declared false and libellous, and give me the opportunity of proving my assertions by appointing a Committee of Investigation. But I was mistaken: 'the request was refused, and a settled determination evinced of sacrificing me, if possible; thinking, I suppose, my destruction would appease the wrath of the assembled stockholders, who were blaming the management for the financial difficulties of the Company, without trying in any way to ascertain the causes which led to the Company's suspension. The Directors were simply acting their old policy of "chicken-heartedness;" afraid to take a bold stand in any thing entailing the slightest responsibility.

MONTREAL, Jan. 22, 1879.

To the Directors of the Canada Agricultural Insurance Co.

GENTLEMEN, — I have to inform you that last evening, for the first time, I was given an opportunity (from eight to ten P.M.) of hearing Mr. Ross read his Report, and which I understand is to be presented to your Board to-day.

I desire to say that said Report is untrue and libellous; and if it is presented to the shareholders of the Company to-day, or to the public, I shall commence proceedings against the members of your Board at once.

I respectfully demand a Committee of Investigation, composed of three unprejudiced gentlemen, with full power and authority to call upon Mr. Ross and Mr. Sowdon for explanations on the accounts and business of the Company.

Yours very respectfully,

(Signed) EDWARD H. GOFF.

The receipt of the above letter was not even acknowledged in any form; and, the next day after the meeting (23d), Mr. Campbell, Secretary of the Company, writes me, giving me a summary of the charges contained in Mr. Ross's Report, and says, "As it has been decided to publish the Report of the Vice-President and Auditors, to be circulated to shareholders, I am instructed to inform you, that, before doing so, it is at your disposal for correction." What right, may I ask, had Mr. Campbell or any other officer of the Company, Mr. Ross not excepted, after the Report had been read to the meeting of shareholders and accepted, and summarized reports from same given to the daily press for publication, to place it at my disposal for correction? The mere act of doing so I consider an insult to common sense. Mr. Ross knew very well he could not alter the Report after its acceptance by the shareholders, and must have been convinced I would not, at this stage of the proceedings, especially after his manner of treating my explanations the Monday evening previous, commit myself further to his tender mercies. But, to show the insincerity of his offer, the letter was received Thursday afternoon, and the corrections must be made that week, giving me all of *two days* to go over and examine about three hundred pages of manuscript (it was not then in type), and give explanations and answer charges, which had occupied *four months* of his time to formulate. I concluded I would further test his "feeling of regret," and sent Mr. Campbell the answer following his letter, asking for a copy of the Report; and in his reply received still further proof that I had not

misjudged the man, in a letter refusing the copy asked for, on the ground that it was too long to copy, and, if examined, must be done in the office, and done before Saturday night (two days). I should append the letter, only I have mislaid and cannot find it. Below is Mr. Campbell's letter, and my reply:—

CANADA AGRICULTURAL INSURANCE COMPANY,
MONTREAL, 23d January, 1878.

EDWARD H. GOFF, Esq., City.

Dear Sir,—As it has been decided to publish the Report of the Vice-President and Auditors, to be circulated to shareholders, I am instructed to inform you, that, before doing so, it is at your disposal for correction. Should you, therefore, wish to see it, it is at your disposal at the office of the Company any day this week, from ten A.M. to ten P.M., on proper notification to me of such time as you may appoint. I may briefly recapitulate the items; viz.: Draft from Watertown of \$680.28, not accounted for. Rebate on March premiums by Watertown Company, not accounted for, \$772.05. Allowance on Brockville Agency, \$500. That \$1,500 was received by you from this Company for payment of fifteen shares of the bonus stock. That many items of goods, and labor, &c., for a period prior to Jan. 1, 1874, have been unwarrantably charged to the Company. That items of cash have been charged twice. That cash vouchers are very much wanting. That items subsequent to January, 1874, have been charged which ought not so to have been. That settlement of accounts against this Company has been not seldom by your pro note, or otherwise, while the Company has been charged cash. That the Company's acceptance has been attached to drafts now outstanding, from which it received no benefit, and had nothing to do with. That proper statements have not been presented to the Company or Government. That bonds have been sold, bought, exchanged, and otherwise manipulated, without authority, and from which you derived a profit. That bonds or debentures have been bought, sold, or exchanged without correct entries being made in the books of account of the Company. That capital-stock shares have been over-issued. That transfers or scrip representing paid-up stock has been allowed or issued without corresponding benefit to the Company; and that there is now an over-issue more than, and apart from, surrender shares. And that the standing of accounts and the treatment of them are wrong, and calculated to deceive, and have deceived. You are at liberty to have Mr. Bowdon and any of the Directors you may choose to select present. If you desire any outside of the Directors, we shall be glad to have their names for consideration.

Yours faithfully,

(Signed)

W. CAMPBELL, *Secretary.*

REPLY.

MONTREAL, Jan. 24, 1878.

WILLIAM CAMPBELL, Esq., *Sec. Canada Agricultural Ins. Co., Montreal.*

Dear Sir,—I have to acknowledge the receipt of your favor of yesterday, saying it had been decided to publish the Report of the Vice-President and Auditor of the Company to distribute among the shareholders, and that it is open to me for correction any time this week. In answer, I would say, it is unreasonable to suppose I could make corrections in the Report in so short a time as two days, and without having a copy of the Report before me. If you will favor me with a copy, I will then tell you when I can make the necessary corrections.

Yours, truly,

(Signed)

EDWARD H. GOFF.

Below I give another specimen of contemptible correspondence to show how these saints of moral rectitude and business veracity, Messrs.

Philip S. Ross and William T. Fish, Joint Managers and Trustees, were endeavoring to throw dirty water upon "your late Manager" in every conceivable manner.

On reference to my letter to the shareholders, Dec. 20, 1877, in this pamphlet, the reader will find an explanation to the charges contained in Mr. Ross's *Interim* Report about my taking notes from the office. These notes were charged to my account on the books of the Company Oct. 5, 1878. In January postal cards were addressed broadcast, not merely to promisors of the notes in question, but to others, and to those who had paid the Company and held the notes in their possession canceled, simply to convince them, I suppose, that "your late Manager" had really purloined the notes from the office of the Company. Below is a copy of one of the postal cards:—

MONTREAL, Jan. 5, 1878.

A. L. PETTINGILL, SCOTSMOOR, QUE.

Dear Sir,—Your premium note, No. 8,858, was taken from this office without authority. The note is payable to the order of this Company. You will, therefore, pay it only to this office; which please do at once by registered letter, addressed "Canada Agricultural Insurance Company."

(Signed)

W. CAMPBELL, Secretary.

It may be considered perfectly legitimate and honorable for the men who have taken such an intense interest in the publication of the Ross Report to use all means in their power, fair and foul, to crush one whom they dislike and fear. But let me ask the stockholders of the Canada Agricultural Insurance Company if they wish their pockets taxed to gratify the dislikes of other people. Why should the Joint Trustees and Managers of the Canada Agricultural Insurance Company incur the heavy expense of issuing nearly *ten times the number* of this Ross Pamphlet that there are English-speaking shareholders, and more than double the number of French and English combined? Was this Report in pamphlet form designed for the stockholders, who alone are peculiarly interested in it? or was it more particularly for the public at large? One would naturally conclude the latter was the case, especially as the pamphlet has been handed out in numbers, to those who are well known to be among my bitterest enemies, for distribution in the streets and on railway trains going to the Eastern townships. Are the shareholders of the Canada Agricultural Insurance Company to pay for this style of warfare? or is the rumor indeed true, which has gained some currency, that A. W. Ogilvie, Esq., M.P.P., and the Attorneys of the Passumpsic Railroad, generously agree to contribute towards the expense of the Ross Pamphlet?

With the foregoing correspondence, and my comments thereon, I shall leave the reader to take up Mr. Ross's Report and Mr. Sowdon's replies. That my defence may be plain and easily understood, I have divided Mr. Ross's Report into sections; and Mr. Sowdon's replies follow, each in consecutive order.

I ask the public, as a great personal favor to myself, to read this pamphlet carefully, weighing section with section, and then form their own opinion as to whether I am too severe in my allusions to Mr. Ross and the other gentlemen who I claim have given their aid to the preparation of the charges in the Ross Pamphlet.

Very respectfully,

EDWARD H. GOFF.

MONTREAL, March 2, 1878.

To the Shareholders of the Canada Agricultural Insurance Company.

GENTLEMEN, — I have read with astonishment the statements set forth in the Reports of Mr. Vice-President Desjardins, and Mr. P. S. Ross, the Special Auditor named to investigate the affairs of your Company. These statements are at such variance with the true state of affairs and with fair play, that I am forced, not only in justice to myself, but in common honesty towards your late Manager, to accept his invitation to supply him with a just and equitable statement, which will explain some of the many erroneous statements made in these Reports. In so doing, I do not intend to constitute myself a "prosecuting attorney," seeking to make out a "case" at all hazards, but will confine myself to explaining the rash statements made in these Reports; and will deal with facts and figures only, and not with suppositions.

Your obedient servant,

F. M. SOWDON,

Late Auditor Can. Agricultural Ins. Co.

Proceedings of the Annual General Meeting of Shareholders of the Canada Agricultural Insurance Company, held 22d January, 1878.

Pursuant to notices and advertisement, the above meeting was held at the office of the Company at half-past one P.M., at which the attendance of shareholders was very large. The chair was taken by the Vice-President. After the minutes of last Annual General Meeting were read, the meeting adjourned to the Mechanics' Hall.

The Chairman called the meeting to order, and read the Report of the Directors, and moved its reception and adoption, seconded by Mr. C. H. Champagne. The Special Auditor's Report to the Directors was then called for, and read by Mr. P. S. Ross, as well as detailed statements of the business and position of the Company; the Vice-President repeating the same in French.

The Reports, on motion of Col. Stevenson, were received; and the meeting adjourned till half-past seven P.M.

On re-assembling at half-past seven P.M., it was moved that the Directors' Report be received and adopted. Carried.

Several resolutions and alterations of by-laws during the past year

were confirmed; and it was resolved that the Joint Manager and Trustees be continued, with all necessary powers for the purposes of liquidation.

A vote of thanks was moved, seconded, and carried, accompanied by expressions of confidence from various shareholders, to Mr. Desjardins; and the meeting adjourned.

WM. CAMPBELL, *Secretary*.

MONTREAL, January, 1878.

At the outset, I regret that I should be obliged to object to the correctness of the record of the proceedings of the Annual Meeting as here set forth. The proceedings are not correctly detailed.

No legal votes were taken. There were no scrutineers appointed, and no list of shareholders having a right to vote submitted. The voting was conducted in a wholly irregular manner, without reference to the qualification of the voters. As a matter of fact, not one-tenth of those present were qualified voters; not having paid the second and third calls upon their shares, as required by the Company's act of incorporation. I therefore hold that no business was legally transacted at said meeting.

I also hold, the Board of Directors is now, and has been, an illegal board for months past; the majority of the members having transferred their stock so as not to hold the requisite amount for eligibility, — viz., twenty shares, — and those who do hold twenty shares have not paid the calls: consequently, all their acts are illegal.

I called the attention of the Chairman and the meeting to these facts, and asked that my objections should be entered in the minutes. Apparently they have not been entered, and but a general and garbled report of the meeting is here presented to the shareholders and the public.

All of which is respectfully submitted.

F. M. SOWDON.

ANSWER AND EXPLANATIONS
TO THE
REPORT OF VICE-PRESIDENT AND DIRECTORS
AND
SPECIAL AUDITOR, P. S. ROSS.

BASED UPON FACTS AND FIGURES, AND NOT SUPPOSITIONS.

By F. M. SOWDON,
LATE AUDITOR CANADA AGRICULTURAL INSURANCE COMPANY.

MONTREAL, March 2, 1878.

To the Shareholders of the Canada Agricultural Insurance Company.

I take exception to the Report of the Vice-President and Directors *in toto*, on the grounds that they were not Directors at all, having rendered themselves ineligible by availing themselves of the scheme hereafter mentioned, of transferring their ten-per-cent stock, and taking paid-up stock in exchange, and the calls not having been paid, as stated in my opening remarks.

F. M. SOWDON.

REPORT

OF THE

VICE-PRESIDENT AND DIRECTORS.

SECTION 1.

MONTREAL, 22d January, 1878.

To the Shareholders of the Canada Agricultural Insurance Co.

GENTLEMEN, — None more than the Directors, who have remained in charge till now, regret the state of affairs exhibited by the Report, which presently will be submitted to you.

The statement presented to you at the annual general meeting of 1877 was not satisfactory, as it showed a deficit of \$52,000 on the business of the preceding year; but, though unfavorable, that Report did not show that your Company was in a more alarming condition than that of most of the insurance companies which had done business in Canada during the same period, and would not have justified your Directors in their suspending the operations of the Company.

REPLY. — This was the correct view to take of the position of the Company at that time, notwithstanding the present adverse opinion of the Vice-President, as the results of the business of the various Canadian insurance companies have since verified.

SECTION 2.

The statement furnished by the Managing Director, and certified to by the Auditors of the Company, showed an excess of \$1,441 of assets over the liabilities to be put at the credit of profit-and-loss account, notwithstanding the very heavy losses of the year.

Your Directors had reason to think that the Report was correct; for besides the declarations of the Company's officers, and also the certificate of the Auditors, they had the fact of the Superintendent of Insurance having declared himself satisfied, and made a report favorable to the maintenance of the license granted by the government.

We would further remark, that the same statement was sworn to on the 9th March last by the President and Managing Director as being the exact state of affairs, and sent to the government as required by law.

REPLY. — The statement was correct according to the balance-sheets of liabilities and assets, as will appear hereafter in dealing with the "Special Auditor's" Report.

1878 (9)

SECTION 3.

After discussing and adopting the Report, the election of Directors took place, and most of the retiring members of the former Board were re-elected. The new Board was constituted immediately, and began to work, taking as basis of their operations the facts and figures given in the above-mentioned Report. It would be useless at present to enter into the details of the questions which were raised at the meetings of the Board of Directors on each occasion: suffice it to say, without fear of contradiction, that each of the Directors did all he was able, at the Board meetings and otherwise, to promote the best interests of the Company. At the meeting of the Board of Directors, and those of the Executive Committee, they energetically insisted upon an economical management, and a strict survey of the risks taken and accepted by the Agents; and in each of those they received the most positive assurances from the President and Managing Director that their instructions were carefully followed. Your Directors do not fear to say (and in this they are supported by the result of the investigation which has just been made), that, if your Company had only to meet the results of the transactions of which the Board was cognizant, or which were authorized by them, though the Company would not have necessarily escaped its share of the heavy losses which have so deeply affected the finances of insurance companies in this country during the last two years, yet, all liabilities settled, the capital of the Company would not have been affected, or, if affected, only slightly, and we would have been able as other insurance companies to continue without difficulty our operations.

But the Managing Director, for the purpose, if we may believe him, of putting the Company in possession of capital indispensable to the transaction of affairs, and to increase its importance, used the position he occupied to make certain financial operations, the nature and purpose of which the Special Auditor (Mr. Ross) will soon make known to you. The effect of these operations is unfortunately but too apparent to-day. They, more than any thing else, are the cause of the critical position in which your Company is now placed.

REPLY. — Although the Directors met often, their time was usually spent in discussing minor and unimportant matters; and, when the question of finance and payment of losses came up, they always tried to shirk their duty, with the exception of the President, who did all he could to help to raise money for the Company's use, even to pledging his own securities; and it is an indisputable fact, that, at nearly all the meetings of the Executive Committee, the usual way of winding up was by saying, "Oh, Goff! you can work out these matters better than we can, and can raise all the money required for the Company yourself;" or words to that effect; thereby placing all the responsibility of raising money for the Company's benefit on "your late Manager's" shoulders. That your late Manager "used the position he occupied" to make financial transactions beneficial to himself, as is here hinted, is maliciously untrue, as I shall hereafter show in dealing with Mr. Ross's Report.

SECTION 4.

These transactions, with the exception of the re-transfer to Mr. E. H. Goff of the bonds of the Montreal, Portland, and Boston Railroad Company, which has been done by the positive instructions of the Directors, were all made without the authorization or the consent of the Directors, and without their knowledge.

The minute examination that Mr. Ross has made of the books, of deliberations of the Board, and of those of accounts, and the comparison he has instituted between them to trace from beginning to end the transactions given partially in one or other of these

books, has proved the truth of the above statement; and has also revealed the fact, that the Directors have received, in many instances, information that would show in no way the facts such as they were represented to have been.

REPLY. — It is certainly very refreshing to see the cool manner in which these gentlemen, "your Directors," have endeavored to relieve themselves of the responsibility of every transaction, with the exception of the re-transfer of the Montreal, Portland, and Boston Railroad bonds. This is stated here to have been done by "their positive instructions." This statement is not correct. The transfer of said bonds was made at the request of "your late Manager." (See copy of resolution of date 8th February, 1877, as appears on Section 50 of Special Auditor's Report.)

SECTION 5.

Before closing these remarks, we think it proper to refer to an important transaction authorized by the Board. We allude to the transfer to Mr. E. H. Goff of a certain number of ten-per-cent shares in exchange of fully paid-up stock.

If that transaction had been carried out according to the scheme, — that is to say, to obtain by that way sufficient means to cover the thirty thousand dollars due to the Bank of Commerce, — the result would have been as expected: first, to place the Company in a most satisfactory financial state; and, secondly, it would have afforded shareholders, preferring few shares *paid up* to a larger number only partly paid, a good opportunity to suit their views, without injuring the credit and standing of the Company.

Mr. Ross's Report will show the basis on which your Directors were induced to adopt that decision, and how their instructions were followed, too, by those upon whom was intrusted the course of putting them into execution.

REPLY. — The transaction of transferring certain ten-per-cent shares to "your late Manager," here spoken of, *was* carried out according to the *scheme* of the "Board:" and all the Directors, with the exception of Messrs. R. Mulholland and J. B. Pouliot, were the first to avail themselves of said scheme. There were four thousand five hundred and twenty-five shares, ten per cent paid, transferred to Mr. Goff by various parties, according to the above-mentioned scheme, and for which, and on account of the other fifteen per cent to be paid, he received \$41,200 in notes, and \$20,325 in cash. Of this \$61,525, about \$23,000 were paid to the Canadian Bank of Commerce, and about \$11,000 to the Quebec Bank; and nearly the whole of the remaining \$27,500 was either handed in cash to the Company, or discounted for their benefit in the Molson's, Union, and Consolidated Banks, to pay losses, or meet the notes indorsed by the Directors, on which loans had been obtained. (Reference to this last amount named will be seen in Section 37.) Extract from Mr. Goff's ledger-account.

For further particulars of this transfer of stock, showing how he came in possession of so much paid-up stock, I would refer to his letter to shareholders, under date 20th December, 1877. It is perfectly idle, on the part of the Directors, to pretend ignorance of any matter in connection with this stock transaction.

SECTION 6.

At the meeting of the Board in September last, Mr. Goff tendered his resignation on account of ill health. On that resignation being accepted, Mr. G. H. Dumesnil was appointed, and consented to act, but temporarily, and without any remuneration.

Your Board consider it a duty to acknowledge before you the valuable services rendered to your Company during the two months and a half he occupied the position, and to thank him for the trouble he so willingly assumed in order to relieve the Company from the critical position in which it was left by his predecessor.

It was on that same occasion that figures were obtained from the Auditor that showed the critical position of our finances. Those figures were so much in contrast with those upon which we had been led to act so far, that we resolved immediately to appoint a Special Auditor, with instructions to inquire into the whole of the affairs of the Company from its organization.

REPLY. — This statement is incorrect, as I frequently prepared statements and figures showing the position of the Company, which were submitted to the Directors. In fact, the figures here mentioned were the same as had been submitted before; only the Directors found it a matter of necessity at this time, and devoted more of their time to the finances of the Company. Mr. Goff had carried the load as long as he could: therefore, when the Directors found they could no longer shirk their duty, they began to *face the music*. I may here say, and I state it fearlessly (and I am not the only one who thinks so), Mr. Goff always worked for the Company and its interests with a devotion that surprised everybody who saw it; and it was a subject of general remark by all the agents and employees of the Company, his office-hours usually being fifteen and sixteen hours a day. Had the Directors of the Company given him the aid and support which he was entitled to expect from them, the Company would be in a sound and prosperous condition to-day.

SECTION 7.

They secured, with that view, the services of Mr. P. S. Ross of Montreal, whose integrity and skill as an accountant is highly spoken of; and they felt that his appointment would be a guaranty that such investigation would be thoroughly made, and would leave nothing undone.

REPLY. — I may here question very much whether the investigation has been thorough, and whether there has not been done a great deal more than should have been, as my further remarks will show.

SECTION 8.

Your Directors offered their assistance to the Managing Director and Accountant for any thing in their power to facilitate the execution of their respective duties.

REPLY. — Concerning this paragraph, I would refer to my remarks under Section 3.

SECTION 9.

At a meeting of Directors held the 4th December, Mr. Angus, who had been during the last two years the President of your Company, tendered his resignation, based on reasons of an exclusively personal character, and ceased to take part in the deliberations of the Board. That new resignation, added to the presentation of an Interim Report of Mr. Ross (made public by subsequently premature publication in the newspapers), left no other alternative to your Directors, but to suspend immediately the operations

of the Company, and to proceed by the most economical means to the liquidation of its affairs.

Mr. Dumesnil having manifested his desire to be relieved of his position and duties of Managing Director, they appointed as Trustees, for the purposes of liquidation, Mr. Ross, and Mr. W. T. Fish, Agent of the Company at the Cobourg Branch since its beginning; thus reserving for you the control of your own affairs until you will be put in a position by the final Report of the Auditors to decide for yourselves what further measure to adopt. They yet think, after examination of the statements annexed to Mr. Ross's Report, that voluntary liquidation, if allowed, will be less expensive, will facilitate operations, and will better protect the interests of the shareholders, at the same time giving full justice to the creditors.

On many occasions since September, your Directors have negotiated with other companies to secure arrangements whereby the business of the Canada Agricultural Insurance Company would be transferred to them *in toto*, or through re-insurance; but, so far, have not found that any of the offers made were such as to justify their acceptance by the Board.

REPLY. — The appointment of Messrs. Ross and Fish as Joint Trustees and Managers, for the purposes of liquidation, was, I hold, illegal, as the Directors could not make any such appointment, for reasons stated.

SECTION 10.

In the interest of the shareholders, it is of the greatest importance that all the calls made should be promptly paid, because, the sooner the liabilities of the Company are met, the smaller will be the costs of liquidation.

Mr. Ross's Report will now be read, when you will have been put into possession of all the facts that will bring to light the true causes of the suspension of your Company, and the losses you will suffer therefrom. It will be then for you to decide as to the proceedings to be taken.

(Signed)

A. DESJARDINS,

Vice-Pres. Canada Agricultural Ins. Co.

MONTREAL, 22d January, 1873.

REPLY. — At the date of reading this Report, very few shareholders had paid the second and third calls, and were therefore not qualified to vote; and my objections to the legality of the proceedings would hold good, inasmuch as there were no scrutineers appointed, and no proper or legal vote taken.

SPECIAL AUDITOR'S REPORT,

MONTREAL, January 18, 1878.

AND

AUDITOR SOWDON'S REPLY,

MONTREAL, March 2, 1878.

N. B. — Mr. Ross's Report is divided into sections and Mr. Sowdon's Reply follows each section consecutively throughout the Pamphlet.

SECTION 11.

To the President and Directors of the Canada Agricultural Insurance Co.

GENTLEMEN, — In my Interim Report of 6th December, I gave a short analysis of the unpleasant position of this Company's affairs, without going very minutely into particulars, being desirous not to make assertions of an injurious nature without indisputable proof of their accuracy; and, finding that there were items which could not apparently be reconciled with each other, I requested then that you might so far favor me as to wait a full Report until I could obtain an authoritative balance-sheet of the books of the Company, to which I might appeal in case of contradiction. This balance-sheet could not then be obtained. Further investigation sustains me in regard to the statements of my Interim Report. I do not see any thing to retract, notwithstanding the explanations given by your late Manager in his letter circulated among the shareholders.

Your instructions to me being to review the whole operations of the Company, and not simply to audit the books, leads me into an extended field, and requires a very full report of transactions, as well as figures and accounts; and, whatever the result may be, I have attempted to do as requested, as faithfully and impartially as possible.

The duty is not a pleasant one to me, and I would much rather have praised than blamed any one or all of your officials. If I say hard things, therefore, in this Report, it is much against my inclination that I do so, and without any feeling except that of regret. I simply perform the duty imposed upon me to the best of my ability, without fear or favor; and any statements made shall be either from the records of the Company, and supported by extracts therefrom, or from undoubted external evidence if I depart from them.

I alluded in the Interim Report to the formation of the Company, and now go more into detail. The charter was obtained, apparently, on 14th June, 1872, but remained in abeyance for a considerable time. The minutes of the annual meeting, held 20th January, 1875, states that the first policy was issued in May, 1874. The Policy Register of the Company, and returns to Government, say business commenced March, 1874. I mention this as relating to a perplexing opening of the accounts of the Company to be referred to hereafter. Active efforts were made in August or September of 1873, and following months, to carry out the intentions of the charter, and to organize the Company, culminating in arrangements with the Agricultural Insurance Company of Watertown, N.Y., U.S., authorized by the Directors of your Company at a meeting under date of 12th

March, 1874, and carried into effect by notarial deed before J. S. Hunter, N.P., under date of 28th April, 1874.

By this arrangement, your Company, from and after the first day of May, 1874, assumed the risks, agencies, and business of the former Company in Canada.

The basis of the agreement is shown by the following extract from the minute-book of the Company:—

Extract from the Minute-Book of the Canada Agricultural Insurance Company.
(Folio 30.)

Memoranda of the re-insurance of the Canadian risks of the Agricultural Insurance Company of Watertown, N.Y., and purchase of the good will of their business in Canada.

Amount estimated at risk, May 1, 1874	\$30,000,000
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Dr.

Re-insurance on above risks estimated at accordance with the Company's past experience to be	45,000
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Cr.

By estimate value of the good will, including agency, plant, books, and general supplies in agents' hands in Canada . . .	\$25,000
By cash gold draft on New York	20,000

N.B.—The annual losses of the Agricultural Insurance Company of Watertown, N.Y., in Canada, during their operation here, carrying the above amount of risks, average about \$30,000 (thirty thousand dollars). As their policies are nearly all written for three years, it is admitted that the whole amount of insurance at risk at any given time would be equal to thirty million dollars to carry for eighteen months, or a year and a half: hence, if losses average thirty thousand dollars per annum, it would be safe to estimate total loss on amount now at risk to be forty-five thousand dollars.

(Signed) E. H. GORR, *Managing Director.*

As nearly as I can make out, the risks outstanding on the first day of May, 1874, amounted for the Quebec and Lower Provinces, as the register-books of the Company show, to between eight and nine millions of dollars; and for Ontario, according to what ought to be correct information, about fifteen millions of dollars; making a total of between twenty-three and twenty-four millions. I have been unable to verify it more closely, as I cannot find one of the old Policy Registers; but I am satisfied that the amount is pretty accurate. The Government returns, published in 1875, for the business of the year 1874, do not state the amount at risk by the Agricultural Insurance Company of Watertown at the date of the transfer to the Canada Agricultural Insurance Company; nor is there any Government return to show the amount. Other portions of the subsequent Government returns show by analysis that it could not have been at a lower figure than twenty-four millions. All the parties to the arrangement between the two companies knew and acted with reference to this estimate of between twenty-four and thirty millions.

REPLY.—Before proceeding with explanations in regard to this Report, I must be allowed to occupy the position of critic for one moment, and say, that, in reading it, it seems to point to but one object; viz., to saddle every thing on "your late Manager:" and even your Special Auditor was not satisfied with only *reading* his Report to the shareholders; but, in doing so, he interspersed it with several little side slaps at "your late Manager." Hence it cannot be looked upon as the Report of an un-biased and impartial Auditor.

SECTION 12.

I may finish my references to this matter by stating that the loss incurred upon the transferred risks amounted in round numbers to about \$74,500.

REPLY. — This "your late Manager" was not responsible for. See his remarks in letter to shareholders, Dec. 20, 1877; all of which, I believe, gives a correct version of the Watertown risks.

SECTION 13.

It has to be borne in mind, that Mr. E. H. Goff acted as the Agent of the Watertown Company for Quebec Province previous to the transfer to your Company of the business, and so continued while that Company had an interest in Canada; viz., to the first day of May, 1874. From this cause has arisen the complication of the opening accounts before referred to. From the 1st of January, 1874, until the date, whatever it may have been, whether March, April, or May, when your Company exercised the right to do all the business in Canada, Mr. Goff generously threw in for the benefit of the Canada Agricultural Insurance Company the results of his labors, profit or loss in negotiating insurances, &c., which he had been continuously doing nominally as the agent of the Watertown Company. At all events, his transactions as Agent are entered in the books of your Company as part of your Company's business. I have no doubt whatever that the motives were good; but the results were not so: there has been some loss from this cause.

Had it been intended not to make the business of this period part of your Company's business, a proper account for it would have been kept to transfer the profit or loss to the proper party at its close; which, not being done, sustains my treatment of the accounts of the period, as shown afterwards. The Agricultural Insurance Company of Watertown did not so treat this period, but headed their accounts to Mr. E. H. Goff, and apparently looked to him, and not to your Company.

REPLY. — "Your late Manager" was not exactly Agent for the Province of Quebec, but contracted with the "Watertown Company" under certain conditions, as will be hereafter stated.

SECTION 14.

As, however, your late Manager has chosen to represent in the books of your Company that the operations of that period were those of and belonging to the Canada Agricultural Insurance Company, he has left me no alternative but to treat of them in that light. But, while doing so, I object to certain charges paid after January, 1874, which were obligations incurred previous to said date, either by the Agricultural Insurance Company of Watertown, or of Mr. Goff as Agent thereof. These obligations or expenses, I am of opinion, should not be charged against the business after Jan. 1, 1874; some of them dating as far back as 1871.

If, therefore, your Manager chose to consider that he presented to your Company this portion of his business, and also in view of the fact that it was not beneficial to your Company, all matters of benefit connected therewith ought to have been to the benefit of your Company, which I think will be undisputed. I therefore proceed to treat of this, under the impression that I have caught the true meaning of your late Manager, — the true state of the consequent book-keeping of this period, — and the true position of affairs generally; viz., that your late Manager gave up to your Company the profit or loss of his agency business during the intermediate period between January and May, 1874. In connection with it, I therefore refer to the two following accounts; viz.,

*The Agricultural Insurance Company, and
The Agricultural Insurance Company of Watertown.*

On ledger, folio 37, there is an account, headed the "Agricultural Insurance Company, Watertown," being a supposed record of the transactions with the Agricultural Insurance Company of Watertown. The agreement between the two companies in March, 1874, was not to take effect till 1st May, 1874; and, although the books of the Company contradict it, your Directors, in their Report to the shareholders of 20th January, 1875, stated that the first policy was issued in May, 1874. The premiums, therefore, taken between Jan. 1 and April 30, 1874, should have belonged to the other Company, less the expenses, &c., connected with the business; and it should have received the profit, or sustained the loss. The account has not so been treated, as already explained by me at length; but your Company is supposed to receive the premiums, and pay all charges, accounting for a portion of the receipts (less a portion of expenses) to the other Company which involved a loss to your Company, taking all things into consideration.

REPLY. — The opening of these accounts, under the headings "Agricultural Insurance Company, folio 1, and Agricultural Insurance Company, Watertown, folio 37," was perfectly correct, inasmuch as the items in connection with the first had nothing whatever to do with the second. Folio 37 contained all the transactions had by that Company with the Canada Agricultural Insurance Company, and which properly belonged thereto. Folio 1 simply showed the transaction with Mr. Goff as (Agricultural Insurance Company) and the Canada Agricultural Insurance Company, which represented the sale by him of certain plant, such as safes, office furniture, insurance supplies, agency balances, and bills receivable (or premium notes), the sole property of Mr. Goff, but was designated by name "Agricultural Insurance Company" to show the nature of the whole transaction as specified in detail in the journal of the Canada Agricultural Insurance Company. For two years previous to the commencement of business by the Canada Agricultural Insurance Company, Mr. Goff had conducted his insurance business in the Province of Quebec on his own account, under special contract with the Agricultural Insurance Company of Watertown, N.Y., by which the latter Company simply furnished him their policies for issue, carrying all his risks at a specific rate for each \$100 of insurance. He fixed his own rates, and paid all expenses, and in fact owned the business, together with the office furniture, agency balances, supplies, &c., connected with the business in the Province of Quebec. The Watertown Company simply received the specified premium, and paid all losses under their policies. This business Mr. Goff conducted in the Province of Quebec under the style and name of "Agricultural Insurance Company." When the Canada Agricultural Insurance Company commenced business, May 1, 1874, Mr. Goff gave them the benefit of his business from Jan. 1 to May 1, — i.e., his contract continued up to May; and the Watertown Company looked to him for payment of the premiums under their contract with him up to the aforesaid date, and the Canada Agricultural paid Mr. Goff the amount called for under the specified rate aforesaid, thus accruing to the Canada Agricultural Insurance Company something in the neighborhood of \$3,000 of his profits. The settlement of accounts for this period between Mr. Goff and the Watertown Company the Canada Agricultural Insurance Company had no interest in whatever. I may here add, that Mr. Ross

was informed in my presence of the above facts the evening prior to the reading of his Report, and might easily have obtained earlier information had he desired it.

SECTION 15.

In fact, if we deduct the April premiums, which covered risks that were taken subsequent to the agreement with the Watertown Company, and for which that Company was never responsible, nor was to be responsible, there would be a loss to the Company of over \$2,000 (two thousand dollars) on this account. The application of such an account, if it had been properly opened, would have been against the other Company, or its Montreal Agent, your late Manager; but the method of keeping the account, as followed in your books, has precluded the direct result from being apparent. The items connected with the other Company's business being mixed up, and at this date scarcely separable from the organization expenses of your Company, it is almost impossible now to present an accurate statement, so as to show a correct result. It could be done, but would not be worth the trouble or expense of doing it, seeing it would lead to no corresponding benefit to your Company.

But this account does not contain a record of all the transactions in connection with the business of said period between the two Companies, nor does any other account in your Company's books; although there is another account, to which I shall refer when I am done with this one.

I present an approximate statement of how the account would have stood, if properly kept: a more searching examination might alter it slightly for the worse or for the better. (Not printed.)

REPLY. — The statements of accounts between the Agricultural of Watertown and the Agricultural Insurance Company (E. H. Goff) were kept entirely separate and distinct from each other; and any *mixing up* of accounts is wholly in the imagination of the Special Auditor, and is evidently made use of to mystify and mislead the shareholders.

SECTION 16.

In this account I find that the Watertown Company is credited with March premiums amounting to \$1,546.95. This is written off by another entry to the debit, and \$1,530.79 again credited instead. The cash-book says that \$1,546.95 was paid to the other Company by your Company on Nov. 10, 1874; but no such sum was paid the other Company: in addition to which, although this sum is charged against your Company, the Watertown Company threw off as discount or allowance at settlement the sum of \$772.05, being within a dollar of the half of the amount said to have been paid by and charged in the cash-book as if paid by your Company. I do not find that your Company ever got credit for the said amount of seven hundred and seventy-two dollars and five cents, in any shape, cash, or otherwise; and it looks as if the cashier, your late Manager, did not account for this sum.

REPLY. — This is fully explained in Section 14. The premiums for this period were payable to Mr. Goff, and by him to the Watertown Company.

The item of \$772.05 the Canada Insurance Company had *nothing whatever* to do with. This settlement was of the private account between Mr. Goff and the Watertown Company, and the deduction of \$772.05 was an allowance made him in consideration of claims he had against them. The item is not obtained from the books of the Canada

Agricultural Insurance Company at all; but, on your Special Auditor writing to the Watertown Company for information, he was informed of the manner in which they settled with Mr. Goff, and at once jumped at the conclusion that this \$772.05 belonged to the Canada Agricultural Insurance Company.

SECTION 17.

I also find, connected with this account, that the other Company remitted your Company a gold draft of \$681.28 on 27th June, 1874, to pay for a loss by one Cunliffe, policy No. 6,384, belonging to the other Company's business previous to the transfer, and payable by them.

Of this amount, \$600 (six hundred dollars) has been charged to your loss account as if chargeable to and to be paid, and paid by your Company; while no corresponding credit has been given for the cash received: at all events, I have been unable to trace it; and I think your Manager has this also to account for.

REPLY. — The item \$681.28. I find Mr. Goff drew a draft on the Agricultural Insurance Company, Watertown, for this amount, being for loss under policy 6,384, one Cunliffe, — \$600 for loss, and \$81.28 adjusting expenses. On the 20th August, 1874, I also find a check was drawn by Mr. Alexander on the Exchange Bank in favor of Union Bank of Lower Canada for said Cunliffe loss, — \$600. If, therefore, this entry was not carried into the books, as it should have been, the fault, I think, should lay at the door of the then cash-book keeper, Mr. Alexander. I could not see the books of the Company to find out about this entry, they (the books) not being in the office: at least, I was so informed by Mr. Ross when I called to see them.

SECTION 18.

A further item, that does not appear in this account, but which, I think, should be to the credit of your Company, was an allowance made by the other Company on the Brockville agency transferred over to your Company. I think your Company, under the terms of the agreement with the other Company, was fairly entitled to this item, independently of complication of accounts. I find on investigation that there was some trouble at this sub-agency of Brockville, and considerable expense was incurred settling the matter straight; but it appears to me that your Company paid all the expenses, and your Manager's time was amply compensated for in his salary. I think this also has to be accounted for.

These three items amount to \$1,872.05 (eighteen hundred and seventy-two dollars and five cents).

REPLY. — Mr. A. A. Dewey, son of one of the Directors of the Watertown Company, is the Agent at Brockville. In the contract between the two Companies, it was agreed to retain Mr. Dewey's services up to January, 1875, on same terms as given him by the former Company. Mr. Dewey was somewhat unmanageable, and gave both Mr. Goff and the Watertown Company much trouble; until finally Dr. Munson, Secretary of the Watertown Company, met Mr. Goff in Cobourg, June 18, 1874, and offered to give him a consideration if he would cancel this part of the contract, which Mr. Goff was only too willing to do.

The following document will explain itself:—

CANADA AGRICULTURAL INSURANCE COMPANY AGENCY AT COBBOURG,
June 16, 1874.

Whereas, The Canada Agricultural Insurance Company of Montreal did by contract purchase the business, good will, and policy renewals of the Agricultural Insurance Company of Watertown, N.Y., to take effect May 1, 1874, in which contract the Canada Agricultural Insurance Company agreed to retain the services of A. A. Dewey of Brockville until 1st January, 1875, at the same commission paid him formerly by the Agricultural Insurance Company of Watertown, N.Y., provided he did his business to the satisfaction of the Board of Directors of the Canada Agricultural Insurance Company: Now, it is agreed on the part of the Agricultural Insurance Company of Watertown, that they, the Canada Agricultural Insurance Company, may dismiss the said Dewey at any time they see fit; and it is agreed on the part of the Canada Agricultural Insurance Company, that, if said Dewey refuses to work for said Canada Agricultural Insurance Company, it shall in no wise affect the contract existing between said Companies, by which the said Agricultural Insurance Company of Watertown, N.Y., agreed to transfer the good will of said Company to the Canada Agricultural Insurance Company.

(Signed)

ISAAC MUNSON, *Secretary.*

EDWARD H. GOFF, *Manager.*

The following is the consideration allowed:—

[COPY.]

For a valuable consideration, I hereby agree to transfer to E. H. Goff a note against W. Smillie of five hundred dollars and interest, given to Agricultural Insurance Company of Watertown, N.Y.

(Signed)

ISAAC MUNSON, *Secretary.*

Cobourg, June 16, 1874.

The note still remains unpaid, Mr. Smillie claiming a contra account sufficient to balance the same.

SECTION 19.

Your Manager explains that he was conducting business in the Province of Quebec under the style of "The Agricultural Insurance Company," and that in this connection the Watertown Company simply underwrote the risks taken by Mr. Goff; and you will please bear this in mind in hearing my further remarks.

I now turn to the second account in this connection; viz., that one upon ledger, folio 1, headed "Agricultural Insurance Company."

Although not stated to be so, this account is intended to be another portion of the account of the "Agricultural Insurance Company of Watertown."

One-half of the items certainly belongs to that Company; and if the other half does not apply to it, then the account is used to cover something which was meant to be concealed; and I may as well say plainly, that the last-mentioned half does not apply to that other Company, with whose accounts it had not, nor ever had, any connection.

REPLY. — This has been fully explained before, and was also fully explained to Mr. Ross by Mr. Goff in my presence the evening previous to the shareholders' meeting; so that, while he was reading his Report to the shareholders, he must have been aware that he was stating that which was incorrect: and it appeared to me that Mr. Ross evinced a determination not to take any notice of any objections made to his Report when reading it on the evening aforesaid.

SECTION 20.

I shall refer to these two divisions as briefly as I can. First, there are two items, amounting in the aggregate to \$4,000 (four thousand dollars) for goods supposed to have been purchased from the other Company. These were never purchased from the Watertown Company; nor was that Company paid for them in cash or otherwise; nor did that Company know of or recognize any such transaction. There is no voucher from any person for any such payment, although payment appears from the books of account to have been made in cash, and appears in the books of the Company as if so paid in cash to the Watertown Company. Again: if the amount had been paid in cash or otherwise to the other Company by your Company, it would have been in contravention of the terms of agreement between the two Companies, as appears from the following extract from the minute-book of the Company.

REPLY. — The four thousand dollars here spoken of were for office-furniture, supplies, &c. (see Section 14), the sole property of Mr. Goff, and nothing to do with the Watertown Company, as before explained.

SECTION 21.

Extract from the Minute-Book of the Canada Agricultural Insurance Company.

(1874, April 28. Before J. S. Hunter, N.P., Montreal.)

"The party of the first part (the Agricultural Insurance Company of Watertown, N.Y.), in consideration of the covenants and agreements hereinafter contained, to be kept and performed by the party of the second part, hereby sell, assign, transfer, and convey to the party of the second part the entire business of insurance heretofore and now being done by the party of the first part within the Dominion of Canada, together with the books of record, applications for renewals, and policy-registers, now in use in the hands of their agents, pertaining to the said business, together with the good will of the party of the first part with relation thereto."

REPLY. — This agreement refers to the contract between the Canada Agricultural Insurance Company and the Agricultural Insurance Company of Watertown, and had nothing whatever to do with the property belonging to Mr. Goff, and in use by him in conducting his business in the Province of Quebec under the name and style, "Agricultural Insurance Company."

SECTION 22.

Again: the valuation of the items seems to have been, as to some of the articles, extravagant; and some of them were of a nature that they could not have proved a permanent asset, and must long since have been used up. They have been charged to the stock or furniture account, and remain at the debit of that account as a good asset of your Company to this day. I will refer to it further on in treating of stock account. There is therefore something to explain in regard to this item.

REPLY. — The valuation was put at what the various articles cost; every thing being nearly new. The mere form of name, whether stock account, plant account, or furniture account, does not make any difference. The account was called stock account; and all purchases of furniture, supplies, horse, carriages, and robes, also safes sent to Ottawa and Halifax branches, furniture at the several branches and agencies, were all charged to this account.

SECTION 23.

The second two items are a credit to the other Company of

Agency balances	\$1,002 84
Bills receivable	2,839 66

Together making an amount of \$3,822 10

The other Company's corresponding charge against their Agent here was only \$3,041 89 but the discrepancy is neither here nor there, in so far as my argument is concerned.

In the books of account of your Company, these two sums, amount-

ing to	\$4,000 00
	and 3,822 10
	<u>\$7,822 10</u>

are said to be paid in cash, as follows: —

1874. Jan. 31, Cash	\$5,077 47
" Feb. 11, "	885 91
" Feb. 23, "	1,500 00
" March 9, "	358 72
	<u>\$7,822 10</u>

There are no vouchers for any such cash payments, nor were any such cash payments ever made to the Agricultural Insurance Company of Watertown. This I state after having corresponded with the latter Company. Nor did they receive one cent of the four thousand dollars mentioned, in cash, or in any other shape whatever; nor do they know any thing about it.

REPLY. — The items here spoken of have nothing whatever to do with the Watertown Company, all being the personal property of Mr. Goff, and which were purchased from him by the Canada Agricultural Insurance Company, as before referred to, and so explained by him to Mr. Ross in my presence.

SECTION 24.

As for the \$3,822.10, the items representing it, more or less, appears in the account of the other Company, but after additions and deductions of various items was settled for, not in cash, as represented in your books of accounts, but by the promissory notes of your late manager, as follows; viz.:—

Nov. 14. — Note at three months' date	\$1,000 00
Note at six months' date	2,000 00
Gold draft	780 00

Making together a total of \$3,780 00

The statements in your books of account are therefore incorrect, and it is for your late Manager and Book-keeper to account for the same.

Further: the amount of \$3,822.10, as stated above, being the supposed balance of ac-

count current at that date—viz., Jan. 1, 1874—between the Agricultural Insurance Company of Watertown and some person or persons unknown and homologated into your Company's transactions, while it should not have been charged to your Company, has resulted in a direct loss to your Company on both the items comprising it; viz., agency balances and bills receivable.

REPLY.—This mixing up a transaction Mr. Goff had direct with the Canada Agricultural Insurance Company, and a separate private transaction he had with the Watertown Company, is *totally incorrect*. These notes given by Mr. Goff to the Watertown Company were for balance due that Company under his former and private contract with them, and represent the amount he was indebted to them for premiums at the time. Mr. Goff's private books will verify the above. He gave the Watertown Company his own notes, and they were paid by him.

SECTION 25.

'Of these bills receivable, some were dated as far back as 1872. Some were only collected during the current year, 1877; and others have not yet been collected: yet your Company paid for them in cash early in 1874, before your Company had commenced business operations.

The whole account results in saddling your Company with the doubtful or imaginary assets belonging to some other party or parties under the fictitious title of "The Agricultural Insurance Company."

I present a correct copy of the statement of the account from your ledger.

AGRICULTURAL INSURANCE COMPANY.

(Ledger, folio No. 1.)

1873.		Dr.	
Jan. 31.	To Cash,—cash-book, folio 33		\$5,077 47
Feb. 11.	" " folio 35		885 91
23,	" " folio 39		1,300 00
Mar. 9.	" " folio 45		658 72
			\$7,922 10
		Cr.	
Jan. 3.	By Stock Account, Journal, folio 6-9		\$3,964 00
	General Expense Account, folio 5-9		30 00
	Agency Balances, folio 9		1,082 54
	Bills receivable, folio 9		2,536 56
			\$7,622 10

And I hold, for the inspection of any one who may desire it, a copy of the statement of account from the books of the Agricultural Insurance Company of Watertown, N.Y., U.S. I have now done with these intermediate accounts, and proceed with the transactions proper of your Company.

REPLY.—The bills receivable and agency balances were considered perfectly good at the time, and were the personal property, as before stated, of Mr. Goff, and sold by him to the Canada Agricultural Insurance Company, and accepted by them as a good and available asset. Therefore the whole of the statement of the Special Auditor in regard to the transaction, and the attempt to mix it up with the Watertown Company, is incorrect; and any account he may have obtained from that Company could not bear in any way upon the transaction.

SECTION 26.

On page 2 of the ledger is an account headed "General Expense Account Organizing Company."

This account shows an expenditure of \$16,432.08; from which has been deducted \$5,500, and the net balance of \$10,932.08 has been transferred to profit-and-loss account. The \$5,500 deducted from the actual expenditure of \$16,432.08 is a supposed profit upon bonds or debentures as follows; viz.: Waterloo bonds, face value, \$30,000; bought for \$24,500; profit, \$4,500. Frelighsburg bonds, \$5,000; bought for \$4,000; profit, \$1,000. Total profit, \$5,500. If this supposed profit had been realized, its transfer to this account is a misapplication of items, and could only be intended for one purpose,—to present the actual expenditure for the purpose of organizing the Company to the view of a casual inspector of the accounts, as being of less amount than it really was. But this account does not exhibit all the items of expenditure for the purpose of organizing the Company. There are other items and accounts that ought to have been gathered together into this account to show a true result; and the profit on debentures, if such profit was realized, had certainly nothing whatever to do with it.

I shall refer to the profit on bonds when treating of that account. It may be said that this treatment of accounts is a mere matter of book-keeping; and in this case, as in others, the main result was not affected in any way. So far, this is correct; but, on the same principle, there was no use of opening separate accounts for this and like matters at all, unless it was intended to have them correctly treated to show special results. As this account has been kept, it does not present any true result; in fact, it is totally erroneous and misleading. This account, in my estimation, should have presented itself something like the following statement, in which I show the ledger account as it is, and my idea of how it should have appeared for a comparison:—

General Expense Account, Organizing Company (Ledger, folio 3).

1874.		Dr.	
March to Dec.	To E. H. Goff, stock voted	\$15,000 00	
	To charter	200 00	
	To sundry charges, (being travelling expenses by Goff, Smith, Mahony, and other agents of the Company, printing, advertising, &c.)	1,232 08	\$16,432 08
	Or,		
	By profit on bonds, \$4,500 and \$1,000	5,500 00	
	Balance carried to profit and loss		\$10,932 08

REPLY.—The propriety of passing a supposed profit on bonds or debentures would have assumed a very different phase if the financial condition of the country had not been affected as this and all other countries have been during the past three years. It was just as likely that there would have been this profit as that it turned out afterwards a loss. I would here call particular attention to this statement of the Special Auditor, and then, to show the utter inconsistency of his remarks, draw attention to the Government returns of the "National Insurance Company" for 1876 (see page 118, stock or bonds held by that Company), and compare the *par* value and *market* value; then turn to page 81, same returns, and see the *par* value and *market* value as reported by the "Canada Agricultural Insurance Company." It must also be borne in mind that Mr. Ross is Auditor for the "National Insurance Company,"

and prepares their statements. How does he reconcile these *glaring* facts? Comment from me is unnecessary.

Now comes the question of keeping accounts. The very fact of opening a general expense account "organizing company" was to show at a glance how much had been expended for each purpose; and it may here be observed, that, in the first annual statement, the whole of the organization expenses were ruled off to "profit and loss," instead of carrying them over a certain number of years, and proportioning so much to each year, and treating the balance as an asset, as done by at least one company to my knowledge; viz., "*The National Insurance Company.*"—*Vide Report for 1876, in which the balance of organization expenses, \$20,000, is put down as an asset (Mr. P. S. Ross, Auditor).*

It will be observed here, that the Special Auditor only represents it as his idea of how the accounts should have been treated. It is, therefore, only a matter of opinion, and open to argument; and with statements and theories which are so contradictory, as shown in his treatment of accounts of these two Companies, I leave it to the public to judge of how reliable his statements are, or how much dependence can be placed in his opinion as an accountant.

Stocks or bonds held by Canada Agricultural Insurance Company (see Government Report for 1877, folio 81, as returned by that Company):—

	Par Value.	Market Value.
Township of Waterloo bonds	\$30,000	28,500
" " Bolton bonds	16,500	16,500
" " Ely bonds	2,700	2,536
" " Chambly bonds	18,400	17,430
*Montreal P. and N. R.R. bonds	88,000	88,000
Town of Longueuil bonds	7,000	6,660
Town of Laprairie bonds, cost	1,000	1,000
City of Three Rivers	50,000	53,050
Town of St. Paul's d'Abbotsford	6,000	5,700
Total par and market value	<u>\$178,000</u>	<u>\$172,446</u>

ASSETS.

Stocks or bonds held by National Insurance Company (see Government Report for 1877, folio 118, as returned by that Company):—

P. S. Ross, Auditor.

	Par Value.	Market Value.
Town of Longueuil, W. W. bonds	\$50,000	\$50,000
" " North Stukely bonds	7,000	7,000
" " Ely bonds	4,800	4,800

* Since realized at par.

Parish of St. Pie bonds	\$11,400	\$11,400
Town of Longuett bonds	2,000	2,000
Total par and market value	\$76,200	\$75,200

SECTION 27.

The Auditor thinks it ought to have been gathered together as follows; viz.:-

1874.	Dn.	
To Charter	\$200 00	
" Good will of Watertown Company	25,000 00	
" Bonus stock for expenses	15,000 00	
" Sundries as above	1,232 08	
" Do. from stock account	2,537 46	
" Commissions paid	7,377 00	
" Do. do. 1875.	489 00	
" Do. do. do.	1,500 00	
" Sundries, stationery, printing, advertising, legal expenses, rents, salaries, &c.	2,000 00	
		\$55,335 53
	Cr.	
By profit-and-loss account		\$55,335 53

You will observe that I have added into my statement an amount of twenty-five thousand dollars, said in the minute-book of the Company (already referred to in speaking of the basis of arrangement) to have been allowed for the good will of the business. This is properly and purely an organization expense; yet it has been altogether kept out of the books of account of the Company. Your late Manager disagrees with me in this, and says that the arrangement with the Agricultural Insurance Company of Watertown was not based on the amount of forty-five thousand dollars, but was simply on the ground of a re-insurance of their risks for a sum of twenty thousand dollars. All I can say is, that the statement I have followed appears in the minute-book of the Company signed by himself. If it conveys a false impression, the question naturally arises, Why was it made as it has been? My duty requires me to follow the authoritative records of the Company, and ascertain whether they have been correctly used and treated.

REPLY. — The Special Auditor having here shown his idea of how the account should have been kept, why did he not add the accounts opened in the ledger, under the style of "General Expense Account Organizing Company and Commission on Stock Organizing Company," together at foot of Section 26? The fact of bringing in the item \$25,000 for good will of the Watertown Company to this account would have caused an asset to have been shown in some other account. The only item treated with in the books at the time was the \$20,000 received in cash for premium of insurance on the first policy issued by the Canada Agricultural Insurance Company to the Watertown Company, and was passed to the credit of premium account. Bringing in the \$25,000 would not in any way alter the actual results. The Special Auditor certainly follows this idea of departing from the authoritative records of the Company with a vengeance, when he writes to the Watertown Company of New York, and

obtains from them statements of a private account between that Company and Mr. Goff, and with which the Canada Agricultural Insurance Company has nothing to do, and then incorporates these statements in his Report, for the purpose, it would appear, of creating prejudice against "your late Manager."

SECTION 28.

I have further to remark in regard to this account, that one of the items to the debit of it is that of bonus paid-up stock of \$15,000 (fifteen thousand dollars). This item has been correctly applied to this account; but it would seem to me that the amount so specified has not been used as contemplated by the Board. At all events, I have again to appeal to the minute-book to sustain my views; and therein I find the following resolution; viz.:—

Extract from the Minute-Book of the Canada Agricultural Insurance Company.

1874, March 12th. — Present, Messrs. Harwood, A. Desjardins, E. H. Goff, W. Angus, A. A. Stevenson, T. H. Mahony, and Rev. P. Leblanc.

"It was moved by William Angus, seconded by Col. Stevenson, That this Board approves of and hereby ratifies and confirms the engagements entered into by Edward H. Goff, Managing Director for the organization of the Canada Agricultural Insurance Company, and the acquisition by him of the business of the Agricultural Insurance Company of Watertown, N.Y., now being placed in this Company; and, in consideration thereof, we hereby allot and place at the sole disposal of the said Edward H. Goff, for the purposes aforesaid, the sum of fifteen thousand dollars, paid-up stock of this Company." Carried.

It would therefore appear that this stock was placed at the Manager's disposal to be applied for organization expenses, say paying commissions, or enlisting influence on behalf of the Company for establishing the Company; but it seems to have been considered by your then Manager as his personal perquisite, and to have been so used by him for his own use and behoof. It is for you to consider whether his or my interpretation of the minute is the correct one: the language and terms of it are certainly in favor of my view.

REPLY. — With reference to this fifteen thousand dollars in paid-up stock allotted to Mr. Goff, I quote the following extract from his letter to the shareholders, and copy of letter signed by Mr. Angus, Ex-President, and mover of the resolution, when said stock was so allotted, which will at once indicate the proper interpretation to be put on the minutes.

Extract from Mr. Goff's letter, Dec. 20, 1877:—

"The fifteen thousand dollars of stock bonus was granted to me, unsolicited upon my part, by the Directors of the Company, at the time of organization, and was given in return for my getting up the Company, and the benefits to be derived from a business that I had devoted ten years' labor in organizing."

Mr. Angus's Certificate.

MONTREAL, 22d February, 1878.

I, the undersigned, hereby certify, that, in reference to the fifteen thousand dollars bonus stock spoken of in Mr. P. S. Ross's Report to the shareholders of the Canada Agri-

cultural Insurance Company, it was voted to and given Mr. Goff for his sole use and benefit; and, furthermore, that it was never intended that it should be applied by him for organization expenses, or enlisting influence in behalf of the Company, but was intended as a bonus to him for the good will of his business in the Province of Quebec.

WM. ARENS, *Mover of the Resolution.*

SECTION 29.

In connection with the organization of the Company, I refer to an account on ledger, folio 108, headed "Commission Account Stock."

This account is supposed to represent the sums paid as commission for procuring subscriptions to the capital stock of the Company, and, I presume, represents truly the amounts so paid; showing a total for 1874 of \$7,377; for 1875, of \$489. There is another sum in 1875, called Commission on Stock, of \$1,500, which, with the \$489 before mentioned, as belonging to 1875, have both been carried to Insurance Commissions. These three sums make the whole commissions on stock amount, therefore, to \$9,366. I have been unable to verify the items of this account, as nearly the whole are unaccompanied with vouchers. I think this is inexcusable, seeing that two sums of one thousand dollars each, and others varying from two hundred dollars, have been so paid without vouchers being forthcoming.

REPLY. — If Mr. Ross had taken the trouble to look up the monthly reports of the several different agencies and of the Chief Inspector, he would have found, at any rate, *some* record of commissions paid for procuring stock. Again, checks payable to order acted as receipts for same; and, again, several amounts were paid in cash; and the commission handed over the counter to the party bringing in the subscription, and charged at once in the cash-book.

The item of \$489 does not make any great difference, inasmuch as the Commission Account Organizing Company was ruled off for the year 1875; and this amount, properly belonging to organization expenses, was transferred to General-Commission Account.

SECTION 30.

I draw your attention to the item of \$1,500 referred to by me as having been paid in 1875, and charged to Insurance Commissions Account. This item is made by a journal entry to the credit of your late Manager's account, and to the debit of Insurance Commission Account (see Journal, folio 164, and Ledger, folios 142 and 105). On referring to the Journal, it is explained that this was for commission on stock; but upon what amount of stock such a commission as this was warranted, there is no statement or explanation. The amount represented the value of fifteen shares paid up in full, and the shares were transferred as follows:—

April 23, 1875. Fred Stanciliff (10), ten shares.

April 24, 1875. W. M. Smith (5), five shares.

Smith transferred his five shares to Stanciliff on the 12th May, 1875; and on Aug. 7, 1875, Stanciliff transferred the fifteen shares to one E. Parent, who now holds them. These shares were part of the bonus stock voted to your then Manager. The treatment of the item is irregular at least.

REPLY. — The fifteen shares of paid-up stock were given by Mr. Goff, out of his \$1,500 paid-up stock, to fight the Ottawa Agricultural Insurance Company, which Company was just at that time being established.

This action was approved of by the Directors at the time, and this is the \$1,500 spoken of by your Special Auditor as having been charged to the wrong account. It was, first of all, charged to Commission Account Organizing Company; but I considered it more properly belonging to Commission Account on procuring business, and consequently transferred it to Insurance Commission Account.

SECTION 31.

Another commission account is opened for commissions for procuring insurance risks; and it appears to be in good order, with the exception of charging the two sums before mentioned of \$489 and \$1,500 to it, and the erroneous crediting of a supposed profit of \$200 (two hundred dollars) from a transaction in debentures, all of which are irregular. Commissions under this head have been paid to salaried officers of the Company, as well as on stock.

REPLY. — It is true, commissions were paid to the salaried officers of the Company, to wit: to James H. Smith, Chief Inspector and Director (paid officer), Montreal; W. T. Fish, General Agent (paid officer), Cobourg Branch; John Fisher, Director (paid officer), Cobourg Branch; also to T. H. Mahony, General Agent and Director at Quebec; and J. C. Norworthy, District Agent and Director at Ingersoll, — as the monthly reports will verify. It may be mentioned, however, that not one dollar more than the usual commission of one per cent for procuring stock, paid by all Companies when being organized, was paid by this Company. Therefore it would be naturally inferred that these observations are made to throw onus on one head only; viz., "your late Manager."

SECTION 32.

In regard to the printing, stationery, and advertising accounts of the Company, I find, as I have before stated, that items in these accounts should properly have been charges against the business of the Agricultural Insurance Company of Watertown, or its representatives.

In this connection I would refer to the cash account. Up till January, 1875, this account was kept by your Cashier or late Manager to his own credit at the bank, or otherwise. Vouchers are very much wanting, especially in the matters of travelling expenses, commissions, printing, and other items. Some amounts are charged more than once, and others without the slightest explanation.

During the whole period it has been very much mixed up with your late Manager's account, — indeed, too much so, and without the slightest necessity, to a great extent; also in an unwarrantable manner.

I have to complain also that your late Manager undertook the settlement of many accounts by giving his own promissory note or other consideration to the creditors, while charging the amount to your Company as cash at dates of settlement; and, as the vouchers are incomplete, it is impossible to verify these accounts. Of such are Gebhardt & Co., T. & R. White, Canada Paper Company, J. Wright, J. Currie, and La Minerve, and other parties, either connected with the accounts of printing, &c., or other similar accounts of the Company. The state of the Company's finances did not on all occasions render this mode of settlement absolutely necessary; but one consequence of it was that amounts were charged twice, — once at settlement, and again when the note became due. In some cases this has been rectified; in others, not. It is presumable, therefore, from his and the want of vouchers, that all amounts so wanting vouchers are open to question.

REPLY. — The reason the notes were given by your late Manager personally was, because the Company's charter does not permit of its doing so: and I believe, that, in one or two instances, the cash was charged at dates of settlement, and the notes paid by Mr. Goff at maturity; but, in the majority of instances, the Company was not in funds to pay with.

If the vouchers are not to be found, it is simply because they have not been carefully looked for. In the cases of Gebhardt & Co. and T. & R. White, notes were often given by Mr. Goff to them for work that was not completed, so as to accommodate them when hard up, both of said firms being continually borrowing money from Mr. Goff, or soliciting his financial aid by signing notes for their accommodation, — the latter firm particularly. If any accounts were charged as stated, it was simply an error on the part of the keeper of the cash-book, Mr. Alexander, and for which he, and not your late Manager, was responsible; and, inasmuch as the errors which your Special Auditor speaks of as having been in some cases rectified were made by the aforesaid Mr. Alexander, it is fair to presume he was responsible for all, as "your late Manager" did not make but very few, if any, entries himself in the books of the Company.

SECTION 33.

In the printing account is included an amount paid Gebhardt for pictures; but as I find from the minute-book of the Company that your late Manager voluntarily presented these to your Company free of expense, except the framing of them, I presume an oversight has been committed in allowing them to be paid for by the Company.

Extract from Minute-Book of the Company relating to a Presentation of Pictures.

1876, Sept. 7. — Executive-Committee Meeting.

Mr. Goff then presented the Committee with one thousand very pretty show-cards at his expense, but requested that the Company would consent to pay for the expense of framing them; which was assented to, and the thanks of the Board tendered to Mr. Goff for the presentation.

WM. ANGUS.

(Signed) E. H. GOFF.

F. M. SOWDEN.

REPLY. — With regard to the assertion made by the Special Auditor in re presentation of show-cards to the Company, I simply state it is incorrect.

The following is a statement of the account taken from Mr. Goff's private books (invoice in my possession):—

<i>Dr.</i> G. J. GEBHARDT, <i>1876.</i>		<i>1876.</i>	
Aug. 24.	To paid Kerry Watson, \$161 00	Aug. 24.	By 1,000 Show-Cards,
	Stock 175 00		Canada Ins. Co. . . \$400 00
	Bills payable . . . 140 00		Extra labor, not included in estimate, 30 00
	" " . . . 295 00		100,000 Envelopes, . .
			Canada Ins. Co. . . 350 00
	\$780 00		\$780 00

The bills payable, \$149 and \$295, Mr. Goff paid Mr. Gebhardt himself, and did not charge them to the Canada Agricultural Insurance Company. The Company gave Mr. Goff a check for the envelopes, \$350. The date of settlement was the 24th of August, 1876; and the entry of \$500, as in Section 38, had no reference thereto. I could not say, without looking at the books, what this \$500 was for, unless for the French edition which was afterwards ordered, but which Mr. Goff did not present to the Company.

SECTION 34.

Arbitrary balances have been left at the debits of these accounts on 31st December, 1876, which, if they had been carried to the expense or profit-and-loss account of that year, would have affected the annual statement for the worse.

REPLY. — The leaving of arbitrary balances to the debit of printing and advertising accounts was done because they would apply to more than one year: i.e., if a large quantity of printing was done, such as policies or supplies, towards the end of a year, a large portion would be on hand. The Special Auditor having called attention to this, as affecting the annual statement for the worse, and to show the inconsistency of his reasoning, and that, in forming his wise conclusions about accounts, very much depends upon whether his *impartial* statements are to affect those with whom he is on *friendly* terms or otherwise, in this particular, I would ask him *why* he passed over the *arbitrary balance* of \$20,000 organization expenses of the National Insurance Company, of which he is Auditor, and called it an *available asset*. Further comment is unnecessary.

SECTION 35.

There has been an account kept, called in the ledger stock account, and in the Government returns furniture account, &c. This ought to have represented articles of a permanent value, and now stands in the ledger at \$8,085.81, after deduction of certain effects sold to the Montreal, Portland, and Boston Railroad Company, to the amount of \$1,152. This account ought to have had something written off yearly for depreciation; but this has not been done. Sufficient assets are not forthcoming to show for the amount of \$8,085.81 the ledger balance as above stated. An inventory taken this month shows value for \$

REPLY. — The writing off of something yearly from the furniture account is simply an assertion, and is open to question as to whether any sum should be taken off for depreciation in value. I should much like to see the inventory taken this month to find out if the safes and furniture at the various branches and agencies have been included therein.

SECTION 36.

Many of the articles charged to this account were of a perishable or changeable nature: for instance, in January, 1874, \$2,000 for agency-supplies; \$500 for show-cards; which, in the nature of things, could not last forever. A horse that died was also continued as an asset. A sleigh and robes, charged to it, disappeared two years ago. Year after year

this account has gone into the annual statements and government returns at its cost value, assisting, although not much in itself, with other things of a similar nature, to convey a misconception of the Company's true position.

It is not too much to say, for instance, that if this account, and those of printing, stationery, advertising, legal expenses, and salary, had been properly treated on December, 1877, the Company's position would have been about ten thousand dollars worse than the shareholders were made to believe it was.

In examining this account, I discovered that a horse, buggy, and harness had been sold this last year to Messrs. Goff, Benham, & Co. The Manager states that this transaction is with Mr. Mace, not Goff, Benham, & Co.; the price to be taken out in livery hire at two dollars per day. No entry had been made in the books of the Company until I ordered it to be done.

REPLY. — In regard to articles of a perishable nature, the agency's supplies were always being renewed, and would at any time represent the value of \$2,000. The item of \$500 for show-cards should undoubtedly have been placed to advertising account, and not to furniture account. For making this error the book-keeper is responsible. If the sleigh and robes had been looked up, I think they should be found at the boarding-stables. If they are missing, it is unknown to me. The remarks following these observations of the Special Auditor, although not much in themselves, convey the idea that your late Manager knew all about them; while I am satisfied he does not. It may as well be mentioned here that Mr. Goff resigned the position of Secretary of the Company about a year and a half ago, and had little or almost nothing to do with the books of accounts.

SECTION 37.

IN REGARD TO BILLS-PAYABLE ACCOUNT.

The drafts accepted by the Company have not yet been posted into the ledger. The record of them was the bill-book; and, when they matured and were paid, a charge was made, carrying them to the account of the proper party. There are overdue bills of \$10,000, \$9,000, and \$3,000, entered into the books, with which the Company had nothing to do. If paid, they would be charged to the private account of your late Manager. The name of the Company has been unwarrantably used in connection with them.

REPLY. — Mr. Ross says, that, in drawing these drafts of \$10,000 and \$9,000, the name of the Company was unwarrantably used in connection therewith. Now we will see how far this statement is correct. On the day of the Executive-Board meeting, 17th July, Mr. Goff asked me how much the Company owed him; and I gave him a memorandum that the amount was \$22,700.17, and said I would check the account over with the Company's book-keeper (Mr. Mace), which I did that same afternoon; and the following is the statement of the account from the ledger of the Company:—

Copy of E. H. Goff's Account from Books of Canada Agricultural Insurance Company, and corresponding with Company's Account in E. H. Goff's Private Books.

R. E. MACE, Book-keeper for Company. F. M. SOWDON, Book-keeper for E. H. Goff.

Dr.		Cr.	
E. H. GOFF.		CONTRAL.	
1877.	1877.		
May 31.	April 30.	By Balance to E. H. Goff's credit	\$21,823 98
June 30.	May 31.	Cash advanced during month	9,618 07
		Interest on \$25,000, 10% per month	2,385 00
		Paid H. Mahony's note	1,004 34
		Paid Goff's note protested	7,260 00
		Cash advanced during month	200 00
		Check	45 00
		Paid rent and interest	48 00
		Champagne and Verge	48 00
		Interest	1 15
		Patton (cash)	
		Checks of Company returned	
		Interest paid on notes, Bank	85 00
		Interest on \$25,000, 10% per month	50 00
		Discount on \$25,000, notes handed to Company	27 00
		Discount on notes	788 27
		Balance on notes	
		Discount on \$1,100, notes	
		Interest paid Bank of Commerce to 1st July	\$40,997 60
			\$27,297 52
		Balance due E. H. Goff at this date	\$22,700 17

The foregoing statement of account was placed before the Directors at their meeting, July 17, 1877, by Mr. Goff; and, upon inquiry of the Book-keeper and Auditor as to its correctness, it was accepted. Mr. Goff had given the Company money that he should have paid to the banks; and at this time, as the banks were pressing him for payment, he wanted the money returned, or authority given to draw on the Company for the amount, which was given him.

The following is the resolution of the Board relative to said indebtedness, copies of which were given the banks with the drafts; and the following is a true copy of one of these certified copies of resolutions given to the banks at the time drafts were made in accordance with the resolution:—

COPY.

"The following resolution is an extract from minutes of meeting of Executive Committee of the Canada Agricultural Insurance Company, held at the Company's office, 180 St. James Street, Montreal, 17th July, 1877, viz.:—

"On motion, it was *Resolved*, That, inasmuch as this Company is indebted to Edward H. Goff in the amount of \$22,700.17, he is hereby authorized to make drafts on the Company to the amount of his said claim.

[Seal of Company.] (Signed) "W. CAMPBELL, Secretary."

A true copy. [L. S.]

Is it necessary to bring forward any thing further to prove that Mr. Ross's statement is *incorrect*?

The \$3,000 was a note signed by Mr. Goff, and made payable to Mr. Angus's order (for reasons before stated, that the Company could not give a note), and indorsed by the Company, and discounted in the Union Bank, for which Mr. Angus deposited \$5,000 of stock as collateral. The Company had the benefit of this money when it was first obtained from the bank; and to say that the name of the Company has been unwarrantably used in above matters is incorrect, but calculated to throw discredit on "*your late Manager*."

SECTION 33.

In the general expense account of your Company, there is one item to which I consider it my duty to draw your attention,—that of livery. From February, 1874, until December 1875, the amount paid under this head, apart from the charges for cab-hires not taken into account, is, for board of horse, \$196.50; and for livery charges, \$405.53. Total, \$602.03. Further amounts are charged in following years. As the Company was the owner of a horse (referred to in the stock or furniture account), I presume part of it was in connection with that animal. I see nothing to authorize or necessitate this expenditure. In 1875, this General Expense Account has credited to it a supposed profit on bonds of \$6,880, reducing the real amount from \$22,040.26 to the apparent one of \$15,160.26.

REPLY. — In regard to livery charges, nearly the whole of this account was for the Special Agent on the Island of Montreal for board of horse and livery teams for your Chief Inspector. The fact of the Chief Inspector nearly always requiring a double team when he went to settle a loss

not approachable by train, was, it is presumed, sufficient authority for this expenditure.

SECTION 38½.

In Salary Account I observe that your Manager pays for the year 1876 one thousand dollars towards the salary of your book-keeper, being for a portion of the time of the latter devoted to the private matters of the former.

I find, that, by a resolution on the minute-book, your Directors were authorized to draw five dollars for each sitting. They have occasionally done so, but not regularly: in fact, the amount drawn was exceedingly small; the amount in all, since February, 1874, being \$370. I observe that the Manager, though under salary, drew his proportion.

REPLY.—The Special Auditor could not refrain from giving "your late Manager" a slap here, because he, with the other Directors, received five dollars a sitting at Board-meetings. It evidently did not suit his purpose to say, that, the last year he remained with the Company as Managing Director, his services were given gratuitously; voluntarily remitting his salary, so great was his desire to have the Company succeed.

SECTION 39.

The meetings have been numerous, and the attention required very great, and the attendance has been fair.

To finish the accounts, I will next take the annual statements, to which I would preface a few remarks, especially as it has been stated by others that the different method I adopt is a mere matter of book-keeping. The mechanical work upon your books has been excellent and praiseworthy, being extremely correct. What is done has been well done. It is the system of the application of accounts to which I take objection; and I cannot see any good reason for, say, the distribution of supposed profit on debentures to the various accounts of organization expenses, commissions on stock, commissions on insurance risks, general-expense account, and profit-and-loss accounts. In book-keeping accounts are, or ought to be, opened for their special application towards a specific object; and, when otherwise dealt with, they fall of their intended result, and may mislead, and operate injuriously to the business they are intended to guide. Such has been the effect in your case, as, had the accounts been properly presented, they would probably have attracted attention; and I am of opinion that the second dividend, at all events, would not have been declared and paid, and probably measures have been originated that would have saved the Company from its present disastrous termination.

Thus, then, the statements presented to the shareholders and government being very far from correct, and thus being deceptive, led to the declaration of dividends which the Company could not afford to pay, and which I am of the opinion that neither your Directors nor shareholders would have sanctioned, had the true figures been placed before them. I have already stated that the Organization Expense Account had transferred to the credit of it a supposed profit on debentures of \$5,500; and a further supposed profit of \$12,000 was deducted from the aggregate of the general expenses in the annual statement of the year's business made and presented for 20th January, 1876.

That statement was as follows; viz.:—

Receipts from Premiums, Interests, and Interest accrued	\$112,904 00
Disbursements, Fire Losses paid; adjusted, but not paid; Return Premiums, and General Expenses	87,716 84
Leaving a surplus of profit	\$25,277 16

I am of opinion that there should have been no allowance made for profit on investments in deduction from the expenses, as the same had not been earned, and was not then, nor has it since been, realizable. I would, therefore, deduct—

Profit on Debentures	\$17,500 00
Reduction on Furniture Account	2,500 00
Outstanding Losses overlooked, in round numbers about	10,000 00
Making a total of	\$20,000 00
And leaving in place of a surplus of	25,277 16
A deficiency of	\$4,722 84

By a proper treatment of the arrangement with the Watertown Company as to book-keeping, and opening an account for re-insurance, to ascertain ultimately the result of the business taken over under it, this deficiency would have been further increased this year by the sum of \$5,000; but, as it would not have altered next year's balance, I leave it as it stands.

By the same treatment, the expenses of the Company, with the deduction of the fictitious credit of profit on bonds, would have appeared as \$36,701.55, in place of, as presented to the shareholders at, \$44,201.55. If any one will tell me, on looking at this, that a mere matter of book-keeping is nothing, I can only leave him under his pleasant delusion. In the face of a presentation of accounts in the manner made by me, would the Directors have declared, or the shareholders sanctioned, a dividend at the rate of ten per cent per annum, amounting to \$6,660.67?

REPLY. — All this is only the opinion of the Special Auditor as to the mode of treating the accounts, and bringing in the arrangement with the Watertown Company, which, as before explained, is incorrect, and known to be so by him. It seems, however, very inconsistent, when comparing his ideas in regard to the treatment of accounts in regard to this Company, and the way he has treated the accounts of "The National Insurance Company" (*vide* Report of that Company, 9th February, 1877).

If any one will tell me, on looking at said Report, that it is a mere matter of book-keeping, putting down \$20,000 balance of organization expenses as an asset, "I can only leave him under his pleasant delusion" (I regret in being obliged here to very nearly quote Mr. Ross's own words).

SECTION 40.

You will observe that I have deducted the losses adjusted, and not paid, of \$7,951.75; and, of course, I do not charge them against next year's fire losses. "In this I follow the Government returns, which stated that they had been paid."

The statement presented to shareholders and the Government on the 19th January, 1876, was as follows; viz.:—

Receipts from premiums, interest, and accrued interest	\$120,165 04
Disbursements, fire losses, adjusting losses, return premiums, expense of management, and dividends	101,884 17

Leaving a net surplus of \$18,281 87

This I amend as follows:—

Interest accrued of last year reversed	\$2,645 05
Reduction of furniture account, for sale, &c.	1,462 00
Loss by agents, and unpaid dividends	589 09
Supposed profit on debentures deducted from expense account	6,890 00

Adding also deficiency last year \$11,579 14
4,722 84

16,301 98
Deduct balance of losses not noticed 850 01
15,452 67

Leaving a net surplus of \$2,943 90

In place of the one presented to the shareholders of \$48,233.67, and upon the strength of which a dividend of ten per cent was declared, and partly paid.

REPLY.—These losses were unpaid in 1874, and paid in 1875; about eight thousand dollars being carried over which were unpaid in 1875 to 1876, and so on, until it came to the end of 1876, when about ten thousand dollars remained unpaid of those entered in the books. (This is from memory.) In going over the returns with Mr. Cherriman, Superintendent of Insurance, this was explained to him; and, although he drew attention to the fact that they should have been mentioned in the Report, he said he would let it pass, as he was in a hurry to get the returns printed, but requested that they should be mentioned in the returns for 1877. When he examined the books of the Company in July, 1877, he was shown the loss Register, and was made conversant with the fact of the large amount of losses which had not been reported or entered upon the books of the Company.

SECTION 41.

The third and last statement was presented to the shareholders on the eighth day of February of 1877, being for the business of the year 1876.

Receipts from premiums, interests, and accrued interests, and a supposed profit on investments	\$162,042 00
Disbursements, fire losses, adjusting do., return premiums, and general expenses	164,104 13
Direct loss this year	\$82,062 13
To which deficiency has to be added:—	
Dividends paid \$11,347.56, unpaid \$689.06	\$12,036 41
Accrued interest last year reversed	3,999 94
Supposed profit on bonds	6,790 00
Outstanding losses	25,407 26
	<u>47,233 61</u>
	\$79,295 74
Less previous surplus	2,348 90
Supposed deficiency	<u>\$76,946 84</u>

In addition to this, adverse balance was, as referred to in treating of stock account, a probable additional amount of about \$10,000.

The above deficiency was covered up and kept out of view by entering or keeping on the books of the Company as assets the following items; viz:—

Overestimate of stock account	\$3,962 00
Supposed profit on debentures	30,250 00
Losses outstanding not noticed, although reported before Dec. 31, 1876	43,000 00
	<u>\$77,212 00</u>

Altogether I estimate the Company's deficiency at 31st December, 1876, as amounting in round numbers to \$85,000, in place of a surplus of \$1,441.51, as per statement made to the shareholders at their annual meeting on the eighth day of February, 1877.

REPLY. A very large portion of the losses here referred to were not reported, but were held in abeyance by the branch offices, as the loss register will show to-day; and a large percentage of same in Cobourg office, under Mr. Fish's management.

SECTION 42.

I have stated that the debentures ought not to have been treated as they have been, and thus made to show a profit in estimating the Company's true position. If against this it is urged that there was no other method of valuation, I reply by the following illustration:—

On the 8th February, 1877, the Annual Report was read to the shareholders, with accompanying statements. In this Report, if we take, say, the Three-Rivers debentures, we find them valued at 95 cents. Now, while this report was being read, on the said eighth day of February, 1877, declaring the value of the debentures as at 95 cents, your books of account and cash-book show that on the fifth day of January, 1877, one month previously, a large portion—viz., \$12,000 worth—had been sold for eighty-eight (88) cents on the dollar.

REPLY. The statement read to the shareholders on the 8th February, 1877, was made up to 31st December, 1876, and not to 8th February; and at that time none of the Three-Rivers bonds had been sold: consequently they were shown in the accounts *at cost*,—95,—and Mr. Ross's theory of dealing with permanent securities, "they are worth all they cost, but only what they cost until realized," acted upon.

Mr. Ross's studied effort throughout his whole Report to cast discredit upon "your late Manager," and injure him in the eyes of the public, is made so glaringly apparent, that it does not require much comment from me, as I consider his *animus* is thoroughly unmasked here. While writing this criticism on the bonds of this Company, he was at the same time preparing a statement of the same class of bonds for the National Insurance Company, and valuing them *at par*.

It appears to me that the chastisement he so liberally bestows upon Mr. Goff should be applied to his own shoulders.

Particular attention is here directed to the dates, and how the Special Auditor manipulated them to further his own ends. The statement was to 31st December, 1876, and not to 8th February, 1877: therefore the sale on the 5th January did not affect the statement. In going over the statement to the Government with Mr. Cherriman, he said he could not take any municipal bonds at *par* value, the department having adopted a rule of accepting all municipal bonds, irrespective of value, at eighty-five cents on the dollar, so as to save the Government the trouble of ascertaining the market value of each class of bonds presented for deposit. The Government valued them at eighty-five cents all round, in accordance with their rule, and took such on deposit at that rate.

SECTION 43.

You will find more in connection with this in my remarks on bonds and debentures. In making my corrections of the statements, I have treated your securities at cost, the only reasonable method of dealing with permanent securities. They are worth all they cost, but only what they cost until realized; and, as it is not intended that a Company like yours is to be engaged in buying and selling stocks or debentures every day as a speculation, therefore the market value, even when followed, is not a correct valuation for the estimate of the Company's position and balance-sheet.

A merchant, in taking an inventory of his goods, ought to value them at the market

rate, because he intends to sell them next day, if possible; but the case is different with a company which is making a permanent investment.

The bills receivable, accounts, insurance stock, and general, are in an equally unsatisfactory state with all the rest.

REPLY. — I cannot help drawing attention to your Special Auditor's sage remark, "*treating your securities at cost, the only reasonable method of dealing with permanent securities,*" and at the same time, in his Report of "The National Insurance Company," *treating their securities at the par value* (see statement of February, 1878, and compare with Government Report of 1877, in which you will observe the par value and the market value put in at the same amount, — \$75,200, as well as \$75,200 in February, 1878). It may here be stated that the bonds or municipal debentures held by the National Insurance Company are the same class of securities as held by the Canada Agricultural Insurance Company, to which the Special Auditor takes such strong exceptions. Why he should wish to treat those held by the Canada Agricultural Insurance Company differently from those held by the National Insurance Company, I leave the public to guess.

SECTION 44.

I now enter upon the consideration of the two remaining items of the debentures or bonds, and also capital stock of the Company.

FIRST DEBENTURES.

So far as I can see, there has been no authority for the purchase or reception of the debentures held at any time by the Company; for although there is a minute as follows, viz., —

Extracts from the Minute-Book of the Canada Agricultural Insurance Company, relating to Acquisition or Sale of Debentures.

(1876, Jan. 7. Executive present, — Messrs. Angus, Stevenson, Desjardins, and Goff.)

Surplus funds to be invested: Bank-stocks, bonds, municipal debentures, mortgages, &c.; and, in case of any shareholder, owing this Company for stock, owning any such securities as above enumerated, and being willing or desirous of exchanging same at a fair valuation for his or her indebtedness to the Company on account of any such notes, the Managing Director is hereby authorized to negotiate and complete such arrangement.

(Signed) E. H. Goff.

— yet when it became known that it was M. P. and B. R. R. bonds that had been received under the authority granted by that minute (and it was a considerable time after before it was realized or known), the reception of them was objected to. Without exception, the debentures or bonds passed first through the hands of your Manager. They appear to have been bought by him from the owners, and sold by him to the Company; and as the only ones I can trace, from first to last, were bought by your Manager at one price, and sold by him to the Company at a higher, leaving him a profit, it lays all the other transactions open to suspicion of a similar treatment. There are no brokers' purchase-notes relating to the transactions in bonds or debentures, so far as I can discover. Debentures have been received in payment of stock, in exchange for others of a different kind in the hands of the Company, and some have been paid for cash. Purchases, receptions, exchanges, and sales have been made without authority or due communication to the Board or Executive. The whole account is an unsatisfactory one; and it is in an unsatisfactory state in the books of the Company.

I have alluded above to one lot of bonds as being bought at one price, and sold to the Company at another, by your Manager. This is the purchase of Three-Rivers bonds, of which the story seems to be as follows: On June 30, 1876, your then Manager negotiated the purchase of 500 bonds of \$100 each, or \$50,000 worth, from the Three-Rivers Corporation, at 85 cents on the dollar, and paid for them on 8th July as follows; viz.: Cash, \$15,000; also his short-dated note or draft for \$5,000, and his own promissory notes (I believe three of \$10,000 each), amounting to \$30,000. The last three promissory notes he covered with collateral by giving the Company's scrip, representing 301 shares paid-up 100 cents in the dollar. Your Manager took these debentures to the city and district savings banks, and obtained a loan of \$29,500, or one-half the face value. Without detailing the entries in your cash-book as to the loan, I find that \$15,000 of it went to the Three-Rivers Corporation, and the balance your Manager took for his own financial purposes. The \$15,000 was charged in your books to an account opened for the purpose, headed "E. H. Goff, Bond Account." The short-dated draft of \$5,000, when it became due, was paid, and charged to Municipal Debenture Account, on 17th August, 1876; but this error being discovered in June, 1877, a rectifying entry was made, transferring it to your Manager's account, which had the credit of the said amount of \$5,000 all that time.

The cost of the bonds to your Manager was \$50,000. The cost of the same, as transferred in the ledger from E. H. Goff Bond Account to Three-Rivers Debenture Account, and subsequently to Municipal Debenture Account, was \$56,000, being at the rate of 96 cents on the dollar.

On the 7th September, 1876, your Manager, two months after date of the negotiations and purchase of these bonds, for reasons of his own, communicated the fact of the purchase to the Executive in terms of the following minute:—

REPLY. — The Three-Rivers bonds were bought through P. D. Brown, broker; and Mr. Goff paid him the brokerage by his own check.

The best answer to this is given by Mr. Goff in his letter to the shareholders of the Company, in answer to Mr. Ross's Interim Report, from which I quote the following; viz.: "During the month of June, 1876, a prominent banker solicited me to purchase \$5,900 in Three-Rivers Water-Works Bonds; which offer I declined. He afterwards spoke to me several times upon the subject; and having great anxiety to place the Canada Agricultural Insurance Company on a solid basis by the accumulation of a larger paid-up capital, which for several months I had been advocating with the Directors and shareholders of the Company, — which idea met with general approval, — I finally concluded to make an offer for the bonds, and purchase them in the interest of the Company, if I could do so, and not part with any of the Company's funds in making the purchase. I made the following offer: To purchase the bonds myself at 85 per cent, and pay \$20,000 cash, giving my own notes for the balance of \$30,150, payable six months from date, with interest at six per cent." This offer was made with a view to handing the bonds over to the Company for the \$20,000, and accept paid-up stock for the balance; relying, of course, upon being able during the ensuing six months to sell the stock, and realize cash to relieve my notes. His offer was accepted, and the transaction completed on the above-mentioned basis. I immediately handed the bonds over to the Company at 95, — \$20,050 cash, and \$36,000 in fully paid-up stock. The ten cents on the dollar advance, amounting to \$5,900 in stock, was set aside for payment of commissions and brokerage on the sale of the \$36,000 stock, and any possible deprecia-

tion in the market value. At the same time, I told the Directors of the Company, that, if it could be sold for any saving on this sum, the Company should have the benefit, as I did not enter into the transaction as a speculator, but simply to strengthen the Company's position. In order to be able to pay the \$20,050 cash, I effected a loan with the City and District Savings Bank of \$29,500 for six months at eight per cent, giving the said bonds as collateral security, paid the \$20,050, and handed the balance, \$9,450, over to the Company. These bonds were sold at various prices, ranging from seventy-five to eighty-eight cents on the dollar for cash. The loans were then paid, and the balance, amounting in all to about \$25,050, realized and used. For this amount obtained, at a time when it was most pressingly necessary, the Company never parted with one dollar of money, simply realizing on \$36,000 stock I had accepted for the bonds, and which, when my notes for \$30,150 matured, I had not sold, and could not sell at any price." The purchase of the bonds at the time was considered very advantageous for the Company, and, as I understood, was warmly approved of by Mr. Fish, one of the present Trustees. The story seems a little different with him now, as he evidently sees an opportunity of using it for the purpose of inflicting a wound upon "your late Manager."

I also present below an abstract from Mr. Goff's private ledger, showing his account with the Canada Agricultural Insurance Company, and showing how the \$29,500 was disposed of. Mr. Goff, in writing his letter as above, it will be recollected, did so from memory, and did not get the amounts paid precisely correct. The \$15,000 was paid to the Three-Rivers Corporation's Secretary Treasurer, Mr. Frijon, by Mr. Goff, in the office here; and the \$5,000 as stated by Mr. Ross was afterwards paid by the Company, by mistake of the Company's Cashier, but afterwards charged over to Mr. Goff's account.

Statement of E. H. Goff's Account with CANADA AGRICULTURAL INSURANCE CO.

CANADA AGRICULTURAL INSURANCE COMPANY, MONTREAL.			
Cr.		Dr.	
1876. June 16. To balance of ac't		1876. June 17. By cash	\$47 05
at this date	\$5,902 91	June 20. By cash	25 00
June 20. To cash loan	500 00	June 24. By cash	1,000 00
June 24. To proceeds note,		June 30. By cash C. & D.	
\$950	924 40	Bank	29,500 00
June 28. To cash loan	16 00		
June 27. To cash loan	881 00		
June 30. To Longueuil draft	2,731 50		
To Three-Rivers	15,000 00		
To balance	4,616 24		
	\$30,572 03		\$30,572 03

Mr. Mace, the book-keeper, was told to rectify this \$5,000 entry at the time. He either forgot to do so, or forgot how to do it; for his attention was called to it by myself.

SECTION 45.

1876, Sept. 7. — Executive-Committee Meeting.

In reference to paid-up stock, the Manager stated that he had bought \$50,000 of the Three-Rivers bonds at 90 cents on the dollar, and had paid for the same by cash \$20,000, and \$33,100 paid-up stock, which stock he had to dispose of.

W. X. ANGUS, *President.*(Signed) E. H. GOFF, *Manager.*F. M. BOWDON, *Secretary pro tem.*

The loan from the City and District Savings Bank was subsequently repaid by the sale of the bonds, which resulted in a loss, under the cost price of 95 cents, of, say, in round numbers, about \$9,000. On the 3d October, 1877, some annoyance having been expressed in regard to these bonds by the Directors, your Manager gave in a written statement, which is found signed by himself in the minute-book of the Company, as follows; viz.:—

1877. Oct. 3. The following explanation of the Three-Rivers bonds was presented by the Managing Director in his own handwriting, and signed by him:—

Purchased \$50,000 at 85 cents, \$50,150, discount	\$3,850
Sold to C. A. I. Company \$50,000 at 95 cents, \$56,050, profit	5,900
\$56,050 paid cash \$20,050, C. A. I. stock \$36,000	56,050

LOAN TRANSACTION.

Borrowed from C. & D. Savings Bank at 50 cents on the \$1.

	\$50,000 at 1/2	\$25,000	
	Paid	20,000	
	Gave Company	\$9,500	\$9,500
Jan 5.	Sold \$12,000 at 85 cents	\$10,500	
	1/2 loan paid	6,000	
	Gave Company		4,500
Mar. 3.	Sold \$15,000 at 80 cents	\$12,000	
	1/2 loan repaid	7,500	
	Gave Company		\$4,500
	Sold \$32,000 at 75 cents	\$24,000	
	1/2 loan paid	16,000	
	Gave Company		\$8,000
			\$26,500

On the Three-Rivers bonds transaction \$25,550 was realized in cash for the Company, for which it did not invest one dollar in money. All that this Company parted with was \$36,000 in stock.

(Signed) E. H. GOFF.

Oct. 3, 1877.

REPLY. — This was as the minutes read, beyond a doubt; but the contradicting figures are simply clerical errors, as explained to Mr. Ross. The minutes were written hastily, and without revision. The entries made in the books at the time of purchase, detailing the whole transaction, were correct, and is in accordance with Mr. Goff's letter of 20th December, 1877. The figures given regarding the loan transaction are correct.

SECTION 46.

The whole transaction, from beginning to end, is of the most irregular nature; and you will perhaps allow me to recapitulate the items. 1st, They were bought without authority and without necessity. 2d, They were bought at eighty-five cents, reported to the Board as purchased at ninety cents, and entered in the account-books of the Company at ninety-five cents. 3d, They were reported as bought for so much cash, and so much paid-up stock of the Company; whereas the stock was never accepted unless as collateral, as may be seen in the transfer-book. 4th, The scrip given to represent paid-up stock was given without authority, and without value received by your Company; and there was no such paid-up stock in existence, except in so far as it was made for this purpose. 5th, The scrip still lays as collateral only for the unpaid portion of your Manager's notes in the hands of the Quebec Bank. 6th, The name or indorsement of the Company has been used on a portion of your Manager's notes without authority. 7th, These bonds are entered at the value of ninety-five cents in the statement presented at your Annual Meeting of 8th February, 1877; although a portion had been sold a month previously at eighty-eight cents. 8th, A sworn return to Government states the market value at ninety-five cents, although two sales had been previously made at less: viz., Jan. 5, \$12,000 worth at eighty-eight cents; and 3d March, \$15,000 worth at eighty cents. 9th, The manipulation of the accounts whereby erroneous entries are made to the several accounts through which they passed. These seem curiosities enough connected with one transaction.

REPLY. — The answers to items one to five are these. The bonds were purchased precisely as stated by Mr. Goff, and sold to the Company as stated. The discrepancy, as shown in the minutes as being bought at ninety cents, is a clerical error, and should have been altered. The Company took the bonds at ninety-five cents, and paid \$20,050 cash and \$36,000 stock. This was done by crediting Mr. Goff with nine calls of ten per cent, or ninety per cent on \$40,000 of ten-per-cent stock which he held, thereby making it \$40,000 fully-paid stock; and \$30,100 of this stock Mr. Goff transferred to the Corporation of Three Rivers, as collateral security for his own notes which he gave them, as before explained.

6. Incorrect. See copy of resolution given to Quebec Bank.

7. Statement made to 31st December, 1876; and no bonds sold at that date. This statement is evidently made to mislead the shareholders.

8. Statement to Government to 31st December, 1876: therefore entries for 5th January and 3d March, 1877, should not be brought in here.

SECTION 47.

With regard to the other bonds, there seems also to be inexplicable dealings, though not so easily traceable as the above. The purchased bonds in the account-books of the Company do not tally in detail with the statements of them to the Government, or as I found them on inspection; and yet, curiously enough, the ledger-balance is brought out the same in aggregate. Bonds have been sold, or are in hands, which do not appear to have been bought. For instance, Ely bonds are returned in the Government statement of 9th March, 1877; but I cannot see a purchase in the books of the Company, unless it be an entry of an amount about equivalent to the value of the Ely bonds, but without explanation, and which your accountant cannot explain, dated June, 1877 (three months after the Government return). The said entry of June is a transfer from your Manager's private account. Other bonds appear to have been bought, which have been sold, or are in hands, as the books show; but of how and when bought, there is no record.

REPLY.—Some of the bonds may have been changed for others of equal value; but, if any changes took place, it was in handing over the bonds to the National Insurance Company, and done in error: at all events, Mr. Ross does not show that any loss has resulted to this Company therefrom. It may be mentioned in connection with this, that the two Companies occupied the same offices some time ago, and the securities of both Companies were deposited in same vault.

SECTION 48.

I give a statement of what the books of the Company show as to transactions in bonds, and a list of the present deposit with Government as verified along with the Inspector.

Date.	Item.	Face Value.	Bought or sold for.
1874.			
May 23.	Waterloo Bonds, purchased at 85 per cent (In hands of Receiver-General.)	\$30,000.00	\$25,500.00
Nov. 11.	Frelighsburg, purchase at 80 per cent	5,000.00	4,000.00
1875.			
Dec. 31.	Frelighsburg Bonds taken and exchanged by your Manager at par for Montreal, Portland, and Boston Railroad bonds at 80 per cent	5,000.00	5,000.00
1874.			
Dec. 31.	Chambly Basin, no interest, 25 yearly instalments of \$800 each, purchased at 40 per cent	20,000.00	8,000.00
	Received payment, three bonds (Balance in hands of Government.)	2,400.00	2,400.00
1875.			
Jan. 4.	Montreal, Sorel, and Chambly Railroad Bonds, purchased at par	1,000.00	1,000.00
Dec. 31.	M. P. and B. R.R., from W. Angus, paying 10 per cent on Stock, 80 per cent	11,000.00	8,800.00
	E. H. Goff, do. do.	10,000.00	8,000.00
	E. H. Goff, exchanging for Frelighsburg furniture, &c., 80 per cent	10,000.00	8,000.00
1877.			
May 21.	Sold to E. H. Goff for his note at par	38,000.00	38,000.00
1875.			
Dec. 31.	Laprairie Road Bonds, purchased at par (Still on hand.)	1,000.00	1,000.00
1875.			
Dec. 31.	St. Pie and Stukely supposed Bolton Bonds, purchased at 95 per cent	\$9,000.00	\$8,550.00
1876.			
Jan. 28.	Purchased at 95 per cent	2,000.00	1,900.00
Nov. 30.	Bolton, purchased at 80 per cent	5,200.00	4,160.00
	Mooney's draft		800.00
1877.			
June.	Sold to E. H. Goff, 92 @ 92½	\$19,800.00	\$18,380.00
		9,200.00	8,610.00
	In hands of Government	\$10,600.00	\$9,870.00
		7,500.00	
	Error somewhere	\$3,300.00	

Date.	Item.	Par Value.	Cost.
1876.			
June 30.	Longueuil bonds, 27 } 84	\$5,400.00	\$5,400.00
July 30.	" " 27 }		
1877.			
Jan.	" " 21 @ 80 per cent	2,100.00	1,700.00
	Discount (Oct. 31, 1876, \$1,000), March, 1877, \$1,000		1,000.00
	(Reversed.)		
			<u>\$8,100.00</u>
	Government		7,000.00
	Balance error		<u>\$1,100.00</u>
1876.			
Sept. 21.	St. Paul d'Abbotsford, 33 @ 80	\$3,300.00	\$3,640.00
Sept. 26.	" " 2 @ 80	200.00	180.00
Oct. 12.	" " 25 @ 80	2,500.00	2,000.00
	60	<u>\$6,000.00</u>	<u>\$4,800.00</u>

REPLY. — Regarding the statements and figures given above, I would say, the mystifying manner in which they are rendered makes it all but impossible to make any thing intelligible out of them; and, as I have not been favored with the books or personal explanations from Mr. Ross, I can only refer to a few of them; viz.: —

An extraordinary affair, E. H. Goff exchanging \$10,000 for Frelighsburg FURNITURE, &c., at eighty per cent. I am sure I never heard of any such transaction.

For explanation of the \$38,000 note, see Section 50.

Mr. Goff purchased the Bolton bonds at 99½ per cent, which cost the Company 80 per cent; thereby benefiting the Company to the extent of 12½ per cent.

The St. Paul d'Abbotsford bonds were afterwards sold E. H. Goff for ninety cents. They were deposited in Merchants' Bank of Canada as collateral for a loan of \$5,000. Mr. Goff purchased them at ninety cents, and gave the Company the money to pay loan (see entry of June 5, 1877), thereby benefiting the Company 10 per cent.

Regarding entry of June 5, 1877, — \$5,400 "paid in on railroad bonds." This is not correct. If Mr. Ross had looked at Government Report, 1877, he would have seen what was done with the St. Paul's bonds. The dates in this statement of the bond account seem to be mixed and confused by the Special Auditor, and to be mystified.

On the 4th April, 1877, a loan was effected from Mr. Baptiste, — \$24,000 for four months, and \$32,000 of the Three-Rivers bonds given as collateral. When the loan matured, the Company could not pay it; consequently forfeited the bonds.

1877.			
June 5.	Taken by Goff for 80 at 90	\$6,000 00	\$5,400 00
	And the proceeds or value paid in on Railroad Bonds, same day, as per cash-book.		
1878.			
July 8.	Three-Rivers Bonds, purchased 500 at 95	\$50,000 00	\$50,000 00

1877.			
Jan. 5.	Sold Nichols & Marler, 120 at 88	• • •	\$10,560
Mar. 8.	Sold Seminary, 150 at 80	• • •	12,000
	Forfeited to G. Baptiste, 320 at 75	• • •	24,000
	590		\$46,560
	148 C. B. Discount credited	• • •	1,000
			\$59,000 00 \$37,560 00

1877.			
June.	Ely, supposed purchased, 27 at 88½	• • •	\$2,700 00 \$2,400 00
	In hands of Government.		

The Railroad Bonds have turned out	• • •	\$6,000 more than bought.
The Longueuil Bonds	" • • •	1,100 less.
The Bolton Bonds	" • • •	3,300 "
The difference between these two	• • •	4,300
and the Railroad Bonds of	• • •	6,000

viz., \$1,700

arises from the treatment of them in the account.

Item.	Cost.	Par.
Waterloo Bonds, Government Deposit	\$25,500 00	\$30,000 00
Chambly Bonds, " "	5,000 00	17,000 00
Laprairie-road Bonds, in safe	1,000 00	1,000 00
Bolton Bonds, Government Deposit		7,300 00
There is some great error here, and these have got mixed up with St. Pie and Stukely, and probably Longueuil Bonds.		
Longueuil Bonds, Government Deposit	7,000 00	7,000 00
Something wrong here; \$1,100 should be more.		
Ely, Government Deposit	2,400 00	2,700 00
		\$65,000 00

The whole, except Laprairie Bonds, are deposited with Government.

I have to remark, in justice to your late Manager, that in assuming bonds, or many of them, he did so at a price higher than he charged them to your Company.

The Chambly bonds were over-valued; and this over-valuation could not have been ignorantly made. These bonds consisted of a series payable at the rate of eight hundred dollars yearly, for twenty-five years, without interest. They could not possibly therefore be worth par; and, by your Manager's treatment of them at par in the books of account of the Company, a supposed profit of twelve thousand dollars was used to cover up so much of the expenses of the association.

REPLY. — Must have access to the books in regard to these matters. There should not be any error in this account. Notwithstanding Mr. Ross's statement to the contrary, they were correct 31st December, 1875, 1876, and 30th June, 1877, and agreed exactly with the bond account. I should be able to give positive information on this point had I been permitted to examine the books; but Mr. Ross informed me, when I called to see them, that they were not in the office.

The Chambly bonds are in the hands of Government, but, on account of their nature, are not held on deposit. Originally there were twenty-five of these bonds of \$300 each, or \$20,000, and cost \$3000; difference,

\$12,000. Now three of them, or \$2,400, have been paid; and yet the difference in the cost and par value remains the same (\$12,000) for the balance. Hence I presume your Special Auditor would say, that, when there is only one remaining unpaid, there would still be \$12,000 difference in cost and par value; at least I should presume so from these figures, which, of course, must be correct according to Mr. Ross.

SECTION 49.

I am not quite certain but that there may have been reasons for an increased valuation of them, for *I find your Manager instructing the Company's Auditor to report to Government, that interest on these bonds had been arranged for.* If this was so, your Company never got the benefit of the interest; and, as there is no trace of it in the books of the Company, I am compelled to treat of them as I find them there.

REPLY. — I certainly do not remember the Manager instructing me to say in the report to Government, that the interest had been arranged for on these bonds, as they do not bear interest. I have examined the Government returns, and do not find any allusion made to this italicized paragraph. If any such instructions were given, they must have been in reference to something else; and I question very much if Mr. Cherriman will remember any thing of the kind. I confess I am beaten here.

SECTION 50.

Of the railroad bonds, \$1,000 were paid in cash at par; \$21,000 worth was taken at eighty cents on the dollar to pay stock calls. \$10,000 worth was taken at eighty cents to pay for Frelighsburg bonds, which the Company had in its possession, and some other items. This makes a total face value of \$32,000; but \$38,000 were sold, being \$6,000 over-sold, the source from which this surplus came being unaccounted for in the books of the Company.

These railroad bonds were handed or sold to your Manager in terms of the following minutes:—

1877. Feb. 8. Folio 89.

Objections having been made to the Company's holding railroad bonds as securities the Managing Director requested that the bonds of the M. P. & B. R. be returned to him for which he would return the Company's stock taken in exchange for said bonds.

It was moved, seconded, and resolved, that it is the opinion of the Board that the Company should hold no railroad bonds whatever; and that steps be taken by the Executive Committee, in consultation with Mr. Hatton, the Company's Solicitor, to comply with Mr. Goff's request for the retransfer to him of the bonds of the M. P. & B.

April 27. Folio 111.

The Managing Director gave ample and satisfactory explanations to Mr. Pouliot's objections as to the values of these securities; and to Mr. Pouliot's special objections to the railroad bonds, the President assured Mr. Pouliot that there was a present prospect of these bonds being sold for cash at par value.

June 4. Folio 115.

The Managing Director asked the Secretary to read the resolution passed at the meeting of the Directors on the 8th February last, instructing and authorizing the Executive Committee to comply with the request made by Mr. Goff that the railroad bonds be re-transferred to him.

The resolution having been read, the Managing Director stated his object in calling attention to the matter was to announce the fact that he had assumed, subject to the approval of the Committee, the railroad bonds at par, the rate at which they were given to the Government; had given his note for the whole sum (thirty-eight thousand dollars), upon which he paid ten thousand dollars cash indorsed on the note. He now submitted the transaction. There was his note as stated; and he hoped it would meet the approval of the Committee, as he considered it in the interests of the Company far better than if he had carried out the instructions of the resolution of the Board at the meeting of 8th February last by simply re-exchanging the railroad bonds at seventy-five cents for this Company's shares. This would have depreciated the securities represented in the bonds from thirty-eight thousand dollars to twenty-eight thousand five hundred dollars, being a deficit of nine thousand five hundred dollars; whereas, by the transaction now submitted, this Company still controlled the stock shares given for the bonds, also held this note now handed in for twenty-eight thousand dollars, and the cash paid thereon, ten thousand dollars. The Company was amply secured, and faith was not broken with the Government.

After consideration, it was unanimously resolved: That, in accordance with a resolution passed by the Directors of this Company at a meeting of the Board, held on the 8th February last, authorizing the transfer of the thirty-eight-thousand-dollar first-mortgage bonds on the M. P. and B. R. R. to E. H. Goff, we do now sell and transfer the said bonds to Mr. Goff for and in consideration of thirty-eight thousand dollars, for which this Company will accept Mr. Goff's promissory note for a like sum, dated May 21, 1877; and, as Mr. Goff has already paid into the hands of the Company the sum of ten thousand dollars, this amount shall be indorsed on said note as part payment; and for the payment of the balance of said note the Company shall hold a like sum of ten-per-cent stock as collateral security.

June 6.

The Managing Director reported, that, notwithstanding the privilege given him by the Committee in accepting his note with ten thousand dollars indorsed on it for the railroad bonds, he was glad to inform the Committee that he had to-day made a further payment of five thousand five hundred dollars on account of the bonds, which sum was also indorsed on the note. The statement was received with much approbation.

On the back of the note given by your Manager in payment for these bonds, he has indorsed the following extraordinary memorandum, and it was so done surreptitiously:—

Memorandum upon Back of a Promissory Note for Thirty-Eight Thousand Dollars given by E. H. Goff for Railroad Bonds.

COPY OF NOTE.

\$28,000. MONTREAL, 21st May, 1877.

On demand I promise to pay to the order of Canada Agricultural Insurance Company, at their office in Montreal, thirty-eight thousand dollars for value received.

No. 502. (Signed) E. H. GOFF.

INDORSED ON BACK.

1877.		
May 28.	Paid on account	\$4,000 00
May 29.	Paid on account	5,310 00
		\$10,000 00
June 4.	Paid on account	200 00
		\$10,200 00
June 5.	Paid on account	5,300 00
		\$15,500 00

MEMO.

This note is given the Company for thirty-eight thousand dollars M. P. and B. R. R. bonds, the Board of Directors having authorized me to take the bonds from the Company at same price paid, — viz., seventy-five cents on the dollar, — and surrender a like sum of ten-per-cent stock of the Company, — viz., twenty-eight thousand five hundred dollars; but, as it is questionable if a company can buy its own stock, I sign and give this note on the agreement of the Directors that I am not to be called upon for payment of same, and that it shall simply represent a like amount of stock, which will be held by the Company as collateral; viz., twenty-eight thousand five hundred dollars. I give note for the par value of bonds; but it is understood only to represent the bonds.

(Signed) E. H. Goff.

On discovering this memorandum, and feeling persuaded that it affected the value of said note, I called on your late Manager, and requested him to give me a new note or possession of the bonds until the matter was put on its proper footing; but he declined, saying that the memorandum was in accordance with the bargain. I leave you to compare it with the minutes.

REPLY. — Notwithstanding the Directors gave Mr. Goff permission to take these bonds, and return the Company an amount of stock equivalent to their cost-price, he tried to sell them for cash, and give the Company the benefit of the sale, instead of taking it himself; and at one time he did arrange for a cash sale, which, owing to some business arrangements, fell through, and was not completed.

The minute of Feb. 8 should be compared with the Directors' Report. (See Section 4.)

I can give no better explanation of the way in which these bonds were finally assumed by Mr. Goff, than to again quote from his letter to the shareholders under date 20th December, 1877; viz., —

"Here is the explanation. I sold to the Company thirty-eight-thousand-dollar bonds of the Montreal, Portland, and Boston Railway, at eighty cents, on account of which ten-per-cent stock was accepted. The Canadian Insurance Commissioner, not approving of the Company holding bonds of any railway, although the American insurance companies use them largely as a favorite investment, the Board of Directors, in February last, passed a resolution authorizing me to take back the bonds at the same price as paid, and to surrender a similar amount of stock. I told them I did not consider the Company could purchase its own stock, and I did not want to see them do an illegal act. I therefore offered to take the bonds, and give my note in payment; for which the Company could hold a corresponding amount of ten-per-cent stock as collateral, *it being distinctly understood that the note represented the stock, and had no money value.* Although I gave the note for the bonds, with the express understanding that it represented no money value, as the Company were in desperate straits for want of money during the past summer, I gave them \$15,500: and, instead of treating it as a loan, it was indorsed upon the bond-note; thus, in fact, making the Company a present of the money."

From the above it will be seen Mr. Goff gave the Company \$15,500, which he was not called upon to do, and which at the time I remon-

strated with him for doing; telling him, if he did let the Company have the money, in justice to himself he should treat it as a loan: but he was so anxious to aid the Company, that he always considered their interests and requirements as paramount to his own.

All the payments on this note were made by checks on the Toronto Bank, which can be produced.

No matter what Mr. Ross's opinion may be, the transaction was carried out as was stated; and his remark that the indorsation was done surreptitiously, is not correct, to my personal knowledge, as I was present, and heard the whole transaction discussed.

SECTION 51.

On the back of the note is indorsed a payment of \$5,310. This was paid in the Company on the 29th May, and \$4,000 drawn by your Manager the same day. Another payment of \$5,300 on June 5, 1877, indorsed on the back as made to the Company, was so made by your Manager giving you this money, and purchasing from you, then or previously, the St. Paul D'Abbotsford bonds at a valuation of \$5,400.

REPLY. — The payment of \$5,310 was made to the Company, and the funds used for paying the Merchants' Bank for a \$5,000 loan and interest on collateral security of \$6,000 St. Paul D'Abbotsford bonds made to the Company some six months before. (See Government Report.) Mr. Goff paid the money over to the Company by his own check at Bank of Toronto, and then took up loan at Merchants'.

The \$4,000 said to be drawn by Mr. Goff on the 29th May, the same day on which he paid in \$5,310 on his note, I find, stands thus: The President, Mr. Angus, had advanced cash to the Company in the following sums: \$2,000, \$1,000, and \$1,000 as temporary loans, which had been credited to Mr. Goff, Mr. Angus not wishing his name to appear in the books. Mr. Angus requested the return of the \$4,000, which was paid to him; therefore, as Mr. Goff had been first credited with the \$4,000, of course, in paying Mr. Angus the money, it was charged to Mr. Goff's account. I think this clears up the false impression that would otherwise be formed from the wording of Mr. Ross's Report.

SECTION 52.

Your late Manager, in his letter to the shareholders, states that he was obliged to purchase debentures, &c., for financial purposes. An examination of the books of the Company will show that this was not the case; that, on the contrary, the holding and acquisition of so many unrealizable bonds or debentures caused the greater portion of the financial troubles of the Company. There is, at the present moment, overdue on the sale price of the railroad bonds assumed by your late Manager, the sum of \$22,500, which, if paid in to the Company, would place it in a position to more than satisfy the holders of overdue drafts for losses by fire.

REPLY. — This is incorrect, as will be seen on reference to extracts from minutes of June 4, Section 50.

SECTION 53.

I come now to the capital stock of the Company.

I present a statement of the present position of this matter on separate sheets, being too long for insertion, which shows the number outstanding at 6th December to be 11,533 shares, and the amount owing to make the stock paid up to thirty per cent to be about \$103,265, exclusive of the over-issue.

REPLY.—It may here be explained that the large amount of ten-per-cent stock assumed by Mr. Goff from the shareholders, was done with the express stipulation on the part of the Directors, that no further calls should be made upon it; this amounting to nearly \$60,000 actually paid, which Mr. Goff expected would, in accordance with resolution of shareholders of 8th February, 1877, be converted to fully paid-up stock. Therefore, in the few instances in which he transferred stock as collateral, he did not consider he was trespassing upon the Company; and this will account for the small over-issue of stock at present, which, according to Mr. Ross's figures, amounts to \$15,830. Mr. Goff holds about \$60,000 paid on ten per cent as an offset.

SECTION 54.

One account—that of Barthe, stock-broker—shows in the books of the Company as if it was oversold by ten shares ten per cent paid up, and twenty shares a hundred cents paid up. This matter ought to be inquired into immediately.

REPLY.—Simply loaned to Barthe by Mr. Goff, and to be returned by him. The Company has nothing to do with this transaction.

SECTION 55.

The hasty action by which the stock of the Company was to have been reduced (in terms of the resolution of the shareholders at last annual meeting), from a nominal amount of one million of dollars, to a paid-up amount of two hundred and fifty thousand dollars, has produced an unfortunate complication, which will require the immediate attention of your Board to set right, so as to do justice to all concerned.

On and after May, 1876, and between that date and January, 1877, scrip for paid-up stock, or transfers of so-called paid-up stock, were issued or allowed without corresponding benefit to the capital stock of the Company. In several instances these issues or transfers were returned or replaced; but there is still a balance outstanding.

22d May, 1876. An unwarranted issue of one hundred shares of the Bank of Commerce, presumably to raise money; but there is no record of the purpose or results in the account-books of the Company.

REPLY.—The Company had no interest in transfer to Bank of Commerce, May 22, 1876, as it was from Mr. Goff's own stock that it was transferred.

SECTION 56.

30th June, 1876. An issue of three hundred and fifty-one shares for the purpose of purchasing Three-Rivers bonds, which was two months afterwards communicated to your Board, say on the 7th September. I have fully explained this issue in my previous remarks on the bonds and debentures.

REPLY.—Yes; and it is fully explained in my previous remarks in answer thereto.

SECTION 57.

20th June, 1876. An issue of fifty shares to the Bank of Commerce, to cover discount of accommodation-note.

REPLY. — This, also, is from Mr. Goff's own account.

SECTION 58.

8th Aug. 1876. An issue of fifteen shares to one Brown. There is no record of any benefit accruing to the Company from this issue.

REPLY. — Sold by Mr. Goff from his own stock, which the Company had nothing whatever to do with.

SECTION 59.

27th Aug. 1876. An issue of one hundred shares to the Union Bank for an advance of \$5,000, credited when got, and charged when paid to your Manager's account.

REPLY. — For the Company's sole benefit: they had the money. The item was carried through Mr. Goff's account, as he indorsed the paper, and procured the discount for the Company; none of the banks in the city being willing at that time to grant the Company any accommodation.

SECTION 60.

On 20th August, to put these, in a measure, straight, your Manager deposited his promissory note for \$45,000, being nine calls on five hundred shares of ten-per-cent stock withdrawn.

13th Sept. An over-issue of five hundred shares to Barthe, and through Strathy subsequently to the Bank of Commerce, for an advance of between 20, or \$35,000, for which your Company got no benefit, and which shares are still held by the bank as collateral for a debt with which your Company has nothing to do, although your name or acceptance has been attached to \$10,000 of it, under a pretended resolution of the Board, which has never been confirmed, and was strenuously objected to by the members who were said to have been present, as shown by the minute-book of the Company.

Of the money received from the Bank of Commerce, or about that date, as the cash-book seems to show, \$22,500 of it was paid in to account of the promissory note of \$45,000, referred to before as having been deposited to square up previous irregularities. The balance of this promissory note has never been paid.

REPLY. — In reference to this, I would again refer to Mr. Goff's letter regarding this transaction with the Bank of Commerce; and I vouch for its accuracy. This is one and the same transaction, as per extract from letter.

Mr. Goff holds the original note given for forty-five thousand dollars, with Cashier's indorsement of twenty-two thousand five hundred dollars, which was given Sept. 13, instead of Aug. 29. Said note was given for the nine calls on fifty thousand dollars of ten-per-cent stock, as represented; and Mr. Ross's assertion to the contrary is simply an untruth.

SECTION 61.

This over-issue was partly offset by the return of some of the first-mentioned shares, by a balance of the shares issued in connection with the Three-Rivers bonds, authorized 7th September; but a portion has not yet been offset by any thing.

REPLY. — When all these amounts have been paid to the Bank of Commerce, Quebec Bank, and others, and these shares transferred back, the account would be very nearly equal; and there is not such an amount as a hundred and fifty-seven shares over-issued.

SECTION 62.

11th Oct., 1876. An over-issue to one Walters of one hundred shares, for which the Company get no benefit whatever. These shares, after passing through one or two hands, were ultimately returned on 7th January by Most.

All these issues were of stock, said to be paid up one hundred cents on the dollar; and as the shares neither existed, nor, when issued, had been paid up, and as the use of them does not seem to have been for the benefit nor in the interests of the Company, it is, to say the least of it, a matter for grave censure.

REPLY. — My previous explanations regarding paid-up stock will show the transactions very fully; and I leave it for the public to judge of Mr. Ross's remarks as to their having been for the benefit or interest of the Company.

SECTION 63.

I need not recapitulate the action taken in regard to what is called surrendered shares, as it neither accords with the instructions of the shareholders as recorded in the minute-book of the Company, nor with the necessary legal process; nor has your Manager followed the arrangement intended by the Directors in regard to the application of the funds arising from the fifteen per cent realized from the exchange. The fifteen per cent ought to have yielded about \$60,000 at least; of which ten per cent, or about \$40,000, belonged to, and should have been paid into, the funds of the Company for the call made: but, as your Manager took away two books relating to these transactions of exchange (and, although promising to let me see them, has not done so), I cannot approximate closer to the amount received.

REPLY. — In regard to this, see Section 5, where the whole is explained.

SECTION 64.

In one instance, at least, a few shares have been cancelled, and the party released. By what authority this was done, I cannot say. There are shares on which nothing has ever been paid.

REPLY. — No shares have been cancelled that I am aware of.

SECTION 65.

CONCLUSION.

Without making any remarks on the premiums received, or the rate, or on the fact of the larger amount of premiums taken in promissory notes, or on the apparent want of diligence in the collection of these, or on the amount of loss by fire, I have no hesitation

in saying in conclusion that the affairs of the Company have been very much mismanaged; while the credit, the cash, and the securities of the Company have been unwarrantedly used for other purposes than the prosecution of the Company's interests or its welfare. I am of opinion that the expensive mismanagement of the Company's business is wholly responsible for its present unsatisfactory position, and that a great part of its difficulties arises from complication with matters with which it had nothing to do, and from which it received no benefit whatever, added to the non-receipt of the funds which ought to have come from the second call. With this I present a balance-sheet, accompanied by a few remarks as to the present position of the Company.

All respectfully submitted by yours respectfully,

PHILIP S. ROSS, Auditor.

MONTREAL, Jan. 18, 1878.

REPLY. It is quite evident that it would not suit the Special Auditor's purpose to refer to the premium and loss accounts, as it would show the careful reader the real causes of the Company's difficulties; but I will do so: and, notwithstanding Mr. Ross treating these items of such insignificance, I will give below an approximate statement of how these items show in the Company's books.

Dr.	
Capital Stock paid in Cash	\$198,676 00
Bills receivable	26,570 00*
	\$225,255 00
Deduct excess of Expenditure over Receipts, as per statement on next page,	58,523 86
Leaving this much of the Capital Stock to be accounted for	\$166,731 14

Now, what has the Company got to show for this balance, as per their books? This, —

Municipal Debentures in hands of Government	\$65,400 00
Agency Balances	80,612 11
Bills receivable, Insurance Company	15,041 06
" " Stock	26,570 00*
" " General	22,566 60
	\$160,198 77

* The above statement leaves \$4,532.37 to be accounted for, which would be easily done by adding furniture and stock accounts. Mr. Ross not producing the books when I called for them, I cannot give all the items; however, the above figures will be sufficient to convince the intelligent reader that the Special Auditor's statement is incorrect, and calculated to convey an erroneous impression:

1874.		1874.			
Receipts		Expenditure			\$87,716 84
1875.		1875.			
Gross premiums		Net losses paid		\$63,437 29	
Interest and dividends	\$131,639 46	Dividends		6,164 15	
	4,539 32	Commissions, brokerage, and all other expenses		52,364 64	
		Interest		446 50	
					122,412 53
1876.		1876.			
Gross premiums		Net losses paid		\$102,055 96	
Interest, &c.	\$115,896 60	Dividends		11,247 36	
	5,917 25	Commissions		22,400 00	
		Miscellaneous expenses		33,553 29	
					170,356 61
1877.		1877.			
Gross premiums and interest		Net amount losses paid, and adjusting same		\$87,211 57	
		Return premium and commission		4,534 21	
		Commissions paid		16,076 31	
		Miscellaneous expenses		42,256 46	
					150,077 85
					\$471,990 02
					471,990 02
		Excess of expenditure over receipts			\$56,523 86

In regard to the expensive management, I quote from Mr. Goff's letter; viz.:—

"Mr. Ross speaks of the heavy expenses of the Company. He is, I must say, correct in his allusions to this account. These heavy expenditures were, in a measure, unavoidable, from the peculiar nature of the business done by the Company; it being apparent to any candid mind that the expense of doing a farm-property business—the average premium upon its policies being about \$7.50 each—is very much heavier than that of commercial risks. This account has been very largely augmented by the extra inspection and consequent expense rendered necessary by the condition of the Watertown Company's business. Again: the Company has been working under a false system of general agencies and premium-notes, both of which have cost large amounts of money, upon both of which I have tried hard to make improvements; but which, owing to the fact of these systems being to a great extent under the influence of *Directors interested in their maintenance*, I was powerless to effect. Personally, I have used my best efforts to reduce the expenses of the Company; indeed, so great was my anxiety to do this, and my endeavor to set an example to others who seemed so selfish and greedy in their own interests, that I remitted my salary altogether during the past year, and worked without remuneration of any kind.

SECTION 66.

After giving several pages of mixed-up figures regarding the bonds, stock, and resources of the Company, which I confess I am not sufficiently versed in the art of figures to unravel, Mr. Ross ends by saying:—

I think it is more than probable, however, that a call of twenty per cent will have to be made.

If, on the contrary, Mr. Goff will pay all that he owes to the Company,—about \$200,000, which includes calls up to thirty per cent,—on stock, same as others, a return of considerable amount would be made to the shareholders without further calls.

If the twenty-five-per-cent shareholders will pay in five per cent more, the Company might struggle through, as it will impart confidence, and make collections easier.

REPLY.—It was distinctly understood and agreed, that, in the transfer of shares, Mr. Goff was not to be called upon for any calls on the ten-per-cent stock; so this *supposed* statement of Mr. Ross, showing how much he would like to make out owing by Mr. Goff on such, is imagination, and, I should presume, done with a view to make it appear that he was indebted *actually* to the Company in some \$200,000. How does Mr. Ross reconcile this with his statement to the Board of Directors, that the transfers of this ten-per-cent stock to Mr. Goff were illegal, and must revert back *in statu quo*. It would seem as if he had, for some strange and unexplained reason, become *suddenly converted* to the legality of the transaction, and sees no other way than that for the stockholders who hold the twenty-five-per-cent stock to pay five per cent, and Mr. Goff to

pay up to thirty per cent on all he holds, the majority of which had been transferred to him according to the scheme of the Directors. It is too patent not to see the idea of saddling him with a huge debt; but, as Mr. Ross said at the shareholders' meeting he did this auditing business for the "love of the thing," perhaps I have not caught the "true meaning" of his ideas.

MR. GOFF'S LETTER TO SHAREHOLDERS.

To the Shareholders of the Canada Agricultural Insurance Company.

GENTLEMEN, — Since my resignation as Manager of the Canada Agricultural Insurance Company, some three months ago, when the Directors found it necessary for them to assume the heavy responsibilities which for so long I had borne almost unaided, my past course has been most severely censured by those who had formerly found it so agreeable to please themselves whether or not they performed their duties, and so convenient, were the results scarcely what were desired, to throw the blame upon the Manager. Indeed, so much fault-finding has been indulged in, that the Directors, some weeks ago, secured the services of Mr. P. S. Ross to investigate the Company's business, and make a Report thereon.

Mr. Ross, early this month, made a Report to the Board, which has since been given to the press for publication, notwithstanding Mr. Ross's own declaration, that "The Report would, in his opinion, be most prejudicial to the Company's interests; and he would, therefore, advise its being kept private by the Board until such time as it was presented to the shareholders." In justice to Mr. Ross, however, I should say that I have reason to believe that the Report was given to the newspapers without his approval. At the time this Report was read before the Board, I asked both Mr. Ross and the Directors that he should explain in plain words the irregularities of which he complained, and give me a chance of defending myself against serious charges, which in the Report were only hinted at in vague and insinuating language. Mr. Ross and the Directors said that this opportunity should at once be granted. Subsequently, in conversation with Mr. Ross, I expressed surprise at the contents of his Report, which, upon several points, was in no way clear; besides which, previous to making it and giving it to the public, he had never seen fit to ask me any questions. I told him that I considered that it would have been only business-like, to say nothing of the justice of the thing, to have clearly pointed out what he considered to have been irregularities, and which, had the occasion been afforded, I might have cleared up. I further said that I should be ready at any time to meet him and answer any questions he desired to put; indeed, to render him all possible assistance towards arriving at the true position of the Company. However, from that day to this, no assistance upon my part has been availed of, and no opportunity of explanation

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afforded me. Yet this Report has been given to the press for publication, and, so far as I am informed, without the sanction or even knowledge of the Directors, whose first information upon this point would be from the appearance in print of the Report itself. Verbal statements, most damnsatory in their character, have been given to the representatives of the press; various compromising rumors have been put upon the street; and other most discreditable means have been resorted to to prejudice me in the eyes of the public. Indeed, the enterprise manifested in this work of traduction was, I am compelled to admit, worthy of a far better cause. Moreover, a settled determination to destroy me by ruining my credit and blasting my reputation as a business-man appears to have taken hold upon a large number of persons, among whom are to be found gentlemen (?) who, in times past, received the most generous treatment at my hands.

I have patiently endured all this without uttering one word of protest or denial, in order that my adversaries might have the utmost freedom in making their allegations, and that I might be in a position to know all whereof I was accused. Besides, I considered that the charges which had to be preferred against me, as well as what replies I had to make to them, should be addressed to those peculiarly interested in the issue. I mean the *shareholders of the Company*; and hence it is to them that I now make this statement. In this letter it is my intention simply to refer to those portions of Mr. Ross's Report (and those stories that have been made to do duty) which reflect upon my own reputation and business-standing; leaving the unsatisfactory condition of the Company's finances for the Directors and shareholders to deal with as they may deem expedient, its cause being traceable to fire-losses and the general demoralization in rates and practices, as other Insurance Companies in Canada have learned to their cost.

It is to me a matter of regret that, owing to my having been denied access to the books of the Company, — notwithstanding that I still hold a seat on the Board of Directors, and since my resignation of the post of Manager was unanimously elected, by the Directors, a member of the Executive Committee, — I am unable to give as satisfactory explanations as I could wish, and as I know it would be within my power to do. Unfair and unwarranted as is this treatment of one who holds ten times more actual paid stock than any other shareholder, I have accepted the situation as graciously as possible, and shall now proceed to give the best information I can from memory.

FOUNDATION OF THE COMPANY.

Mr. Ross, in his Report, says, —

"The arrangement made for the transfer of the business of the Agricultural Insurance Company of Watertown to this Company appears to have turned out a great loss. This might have been expected, when it is taken into account that virtually this Company reinsured the total risks of the Watertown Company of about twenty-four million dollars, at about eight (8) cents on the one hundred dollars, for an average period of one and a half years. Then even this small sum was virtually given up in the bonus of fifteen thousand dollars of paid-up stock for originating this Company. The terms of the arrangement with the other Company, as per notarial agreement, do not appear to me to have been carried out in various particulars; for which departure from agreement I see no authority. Taking departures from the agreement *pro* and *con*., I think it has been to the disadvantage of the Company, as items properly chargeable to the Watertown Company, less items they should have received credit for, show a loss to this Company. The bonus allowed of fifteen thousand dollars, and some items credited the Watertown Company (which, I think, ought not to have been so credited), swallowed up all that was received from the latter Company, and left this Company holding risks to the extent of twenty-four million dollars, without having received one cent of premiums. On this account alone has been lost from seventy-five to eighty thousand dollars up to this date. When we come to take into consideration, also, the large amount of commission paid for procuring stock, amounting to close on eight thousand dollars, you will see how far the leeway was at the commencement."

However much this arrangement may now be regretted, resulting, as it has done, in

serious loss to the Company, it was, nevertheless, highly commended at the time it was entered into, and by none more warmly than those who, at the present time, have so much to urge against it. Indeed, I may say, so advantageous was it considered, that an old-established and leading Insurance Company offered to take over the same business at a considerably less premium than that received by the Canada Agricultural Insurance Company. Of this I was informed by the Secretary of the Watertown Company, after the transfer had been effected.

Mr. Ross is very much in error as to his version of that transaction. Instead of there being assumed from the Watertown Company risks of twenty-four million dollars, they only amounted to fourteen million dollars (*vide* Government Report, 1874), which, it was estimated, forty-five thousand dollars would re-insure. On the other hand, the good will of the Canadian business of the Watertown Company, which had already been established, and was supposed to be lucrative, was considered to be worth twenty-five thousand dollars. Upon this basis the Canada Agricultural Insurance Company accepted twenty thousand dollars cash for the re-insurance.

The disastrous results of this undertaking are attributable to a variety of causes, at some of which it may be advisable to glance.

The country was just entering upon a period of the most unexpected, serious, and wide spread financial depression and general stagnation in business, to a degree never known in the history of Canada, and from which it has not even yet emerged. In such times it is a well-understood fact that the moral hazard of insurance risks universally increases to an alarming extent. This was especially the case in regard to this Company, as I found upon an examination of the business in Ontario, where more than one-half of the whole business was conducted, with the character of which I had been unacquainted, except from the representations of the Watertown Company and their Ontario agents; my own operations having previously been confined to the Province of Quebec, for which I had been their General Agent. A large portion of these I subsequently found to be almost disgraceful for any company to have upon their books. I saw at once that the risks must all be carefully inspected; and, the further I proceeded, the more I found it necessary to cancel and change agencies, and, in fact, to "institute a general reform of a bad business." All this entailed heavy expenses; nevertheless, but for this system of inspection and reform, the already large "Loss Account" would have been augmented by many thousands of dollars. I in no way consider myself responsible for the disastrous results of this transaction, the Company having been misled as to the character of the risks it was re-insuring.

The fact of carrying to the insurance or premium account the \$20,000 received from the Watertown Company, and objected to by Mr. Ross, is a mere technicality of book-keeping. It was \$20,000 received for premiums, in whatever way it might be placed in the books of the Company.

The \$15,000 of stock bonus was granted to me, unsolicited upon my part, by the Directors of the Company, at the time of organization, and was given in return for my getting up of the Company and the benefits to be derived from a business that I had devoted ten years to work up. How Mr. Ross could make out it "swallowed up all that was received from the latter Company, and left this Company holding risks to the extent of \$24,000,000 without having received one cent of premium," is beyond my comprehension. "The large amount of commission paid for procuring stock, amounting to close on \$8,000," objected to by Mr. Ross, I should call the *small amount of commission, one per cent* being the smallest commission generally paid by insurance companies in securing subscriptions to stock. At that rate the \$1,000,000 capital would have cost \$10,000. In the case of this Company it was done for about *three-quarters per cent*, or a saving of over \$2,000 upon the commission usually paid.

CAPITAL STOCK.

Mr. Ross complains that this account is in confusion, and that its position is irregular and illegal. He says,—

"I have also respectfully to submit that the representation under which this action

was taken—viz., to repay the bank for advances—was, so far as I have been able to ascertain, incorrect; nor was it for the purpose of sustaining the market-price of the stock. Several cancellations of stock have also been made without, so far as I can see, any authority from the Board."

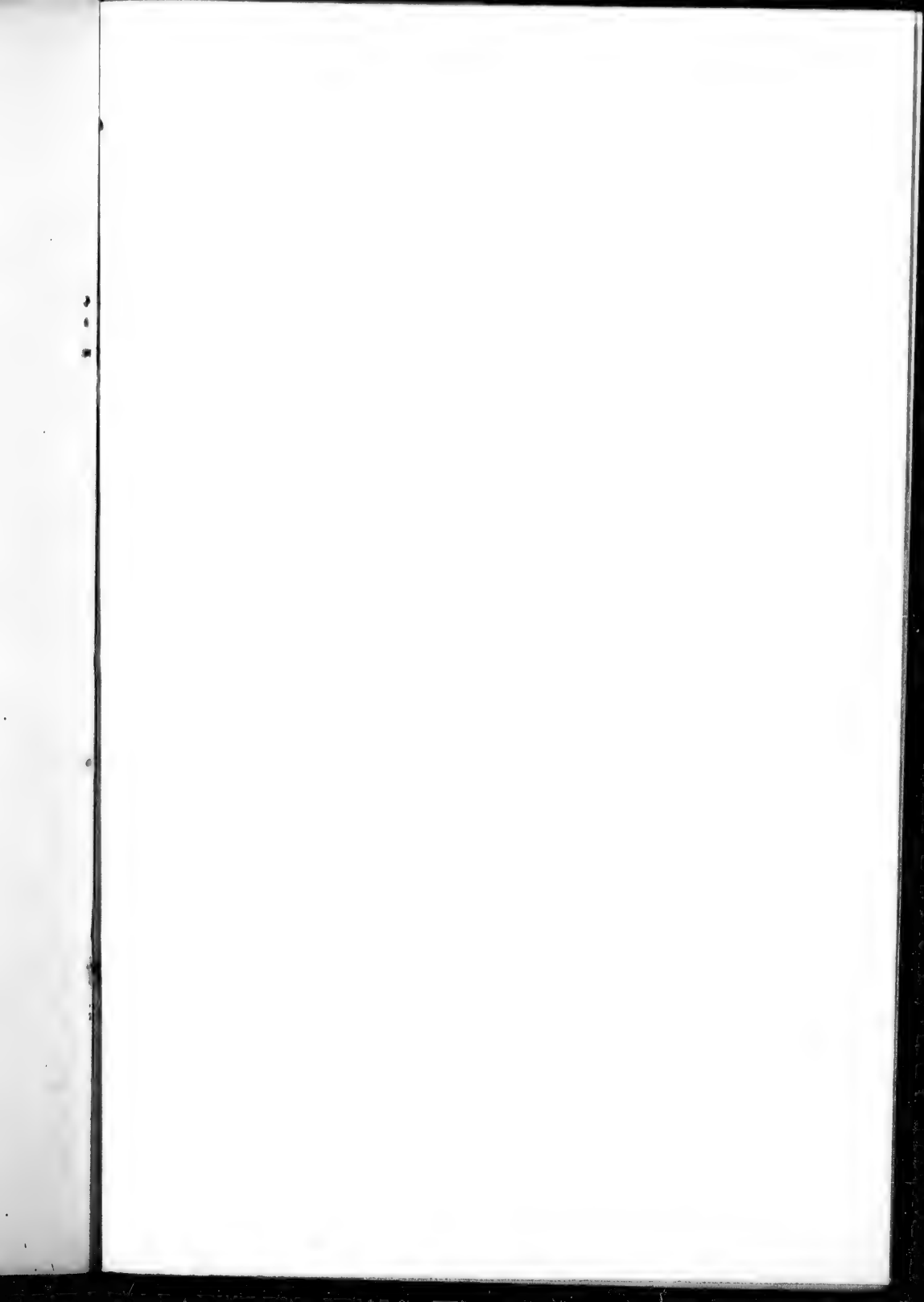
If Mr. Ross had seen fit to ask me a question about the stock, or given me the slightest opportunity of explaining what he confesses he does not understand, I could have made it quite clear to him. I will now explain this mysterious stock transaction, of which so much has been said. During the month of June, 1876, a prominent banker called upon me; and solicited me to purchase \$59,000 in Three-Rivers Water-Works; bonds which offer I declined. He afterwards spoke to me several times upon the subject; and having great anxiety to place the Canada Agricultural Insurance Company on a solid basis by the accumulation of a larger paid-up capital, which for several months I had been advocating with the Directors and shareholders of the Company,—which idea met with general approval,—I finally concluded to make an offer for the bonds, and purchase them in the interest of the Company, if I could do so, and not part with any of the Company's funds in making the purchase. I made the following offer: "To purchase the bonds myself at eighty-five per cent, and pay \$20,000 cash, giving my own notes for the balance of \$39,150, payable six months from date, with interest at six per cent." This offer was made with a view to handing the bonds over to the Company for the \$20,000, and accept paid-up stock for the balance; relying, of course, upon being able, during the ensuing six months, to sell the stock, and realize cash to retire my notes. This offer was accepted, and the transaction completed on the above-mentioned basis. I immediately handed the bonds over to the Company; at ninety-five,—\$20,050 cash, and \$39,000 in fully paid-up stock. The ten cents on the dollar advance, amounting to \$5,900 in stock, was set aside for payment of commissions and brokerage on the sale of the \$36,000 stock, and any possible depreciation in the market value. At the same time, I told the Directors of the Company, that, if it could be sold for any saving on this sum, the Company should have the benefit, as I did not enter into the transaction as a speculator, but simply to strengthen the Company's position. In order to be able to pay the \$20,050 cash, I effected a loan with the City and District Savings Bank of \$20,500 for six months at eight per cent, giving the said bonds as collateral security, paid the \$20,050, and handed the balance, \$9,450, over to the Company. During the latter part of the year, at a time when losses were pouring in upon the Company with disastrous results, these bonds were sold at various prices, ranging from seventy-five to eighty-eight cents on the dollar for cash. The loans were then paid, and the balance, amounting in all to about \$25,000, realized and used. For this amount, obtained at a time when it was most pressingly necessary, the Company never parted with one dollar of money, simply realizing on \$36,000 stock I had taken, and which, when my notes for \$39,150 had matured, I had not sold, and could not sell at any price. So much for Mr. Ross's Report, and the slanderous reflections upon myself contained in an article in "The Monetary Times," under date of 14th December instant, as follows:—

"It is reported that the late Manager, Mr. Goff, has been in the habit of using bonds, the property of the Company, to suit his own purposes; that he has bought bonds with its cash and other assets without the knowledge of the Directors, and afterwards sold them at an advance to the Company."

I may add, that this attack is without the shadow of foundation. I never used a bond or security of the Company for my own purposes in any matter whatever; and, if the editor of "The Monetary Times" is the fair-minded gentleman I have always supposed him to be, he will publicly name his informant, in order that he may be branded as a villifier of personal character,—a despicable moral assassin. So much for the Three-Rivers bonds transaction in June.

The following September the "loss account" became so serious an item, that I recognized the Company must have more money; and as the Directors had never shown much, if any, interest in the affairs of the Company,—having invariably, when meetings were called, seemed to consider their attendance a personal favor to myself,—I resolved to shoulder the whole load, and finance for what I considered would only prove a temporary

difficulty. At this time, I admit that I ought to have placed the wants of the Company squarely before the shareholders, and made a call of five or ten per cent; but the stock being mainly held in the rural districts, and among people who were patrons of the Company, I felt that confidence would be lost in the Company were they called upon to pay additional instalments upon their stock. This opinion was shared by many prominent stockholders, and by others even upon the Directorate, some of whom were acting as agents or officials. I therefore determined, if possible, to form a syndicate; to purchase paid-up stock from the Company, and sell it through stock-brokers; being of opinion, that, if the heavy losses could at once be paid off, the Company could easily recover itself, and surmount its troubles. I consequently purchased \$50,000 of ten-per-cent stock,—i.e., \$5,000 paid up,—and gave the Company my own note for the ninety per cent, amounting to \$45,000, and took \$50,000 in fully paid-up stock. I then made an arrangement with brokers to carry two-thirds of this transaction upon giving them one-half per cent brokerage on the whole amount, they to raise cash for their share, which I would pay over to the Company on account of my note, and pay off the balance as the stock was sold. Two-thirds of this \$45,000 would be \$30,000 less the half-per-cent brokerage, \$2,500, and would net \$27,500. Having deducted \$5,000, the ten-per-cent stock previously purchased by me, I paid the Company on my note \$22,500. To enable the brokers to raise the money, I had to consent to the whole amount of stock being transferred to a firm of brokers, who re-transferred it to the Canadian Bank of Commerce for a call loan. Contrary to my own expectations, and to the general dismay of all insurance-men in Canada, fire losses, during the last six months of 1876, increased to such an alarming extent, that it became evident all the insurance companies must sustain tremendous losses on the business of the year: consequently, insurance stocks could not be sold at any price. To add to the heavy burden which I carried, at this juncture came the disastrous failure of one of the heaviest brokers on 'Change; a casualty which so crippled the firm that had obtained the call loan from the Bank of Commerce, that the bank became alarmed, and called for their money. The borrowers could not respond; and the brokers with whom I was associated in the original transaction being also crippled, and unable to pay any portion of the loan, the bank threatened to throw the stock upon the market at once, and advertise it for sale. This I felt would most certainly bring down the Canada Agricultural Insurance Company, and at once determined to save the Company by assuming the whole loan, if I could possibly satisfy the bank as to security. The loan with interest at this time amounted to \$33,241.87. The bank would not consent to carry the loan for me without a large amount of additional collateral. This I gave by borrowing \$10,000 of reliable stock from a friend, and *deeding my family out of house and home* by pledging my private residence as collateral; and this to-day is in the hands of the bank. Thus I was left with \$86,000 of stock, and under a personal liability of \$63,471.87; to pay all of which I had consented *in the interest of shareholders, and to prevent calls being made upon them*. How to meet the payments upon this immense indebtedness was my dilemma. I discussed the situation with the Directors; and it was finally resolved, as the transaction had been made by me in good faith in the Company's interest, that the same should be protected by the Company, and I should be relieved from loss: therefore a call of ten per cent was made upon the stockholders. A resolution was passed by the shareholders at the Annual Meeting to reduce the capital of the Company to \$250,000, one-fourth of its original amount, and have it paid up in full. I was, therefore, authorized by the Directors to sell off the paid-up stock to the shareholders by accepting fifteen per cent, cash or notes, and receiving their ten-per-cent stock at par, which would be equal to twenty-five per cent on their original stock, and give them paid-up stock at par value. This was, in fact, selling paid-up stock at sixty per cent, which on my own account stood at par, while I was accepting the ninety-per-cent liability on the ten-per-cent stock transferred to me. In many instances, where I found stock in the hands of poor men, I accepted the ten per cent, and gave paid-up stock which was selling at fifty per cent. Whatever I realized from the stock in this way, I paid over to the banks on account of the debts I had assumed; until at length the Company needed money so badly, that I gave them the proceeds of various sales, amounting to some \$30,000, which leaves me still in debt to the amount of \$12,000.



on account of the \$68,471, and holding over \$500,000 of stock, representing about \$60,000 paid, and at the present time not worth a farthing. In addition, my credit is ruined, while the very men for whom I have sacrificed myself and my family's interests, fearing they may be blamed by the shareholders and patrons of the Company, are using all means to blacken my character, and are hounding me like a felon. I am indorser on about \$20,000 of the Company's paper, on which suits are now being brought, and in some quarters *carefully made to appear as my own private debts*. Capital has been made against me on the ground that I had entered into several of these heavy transactions without having received the special authorization of the Board of Directors. To this I reply, that, when I consulted them, they invariably said, "Goff, we know nothing about these matters; you do as you think most advisable:" and, has been explained, I did nothing which I did not think would be advantageous to the Company, however disadvantageous it might be to myself individually.

THE RAILWAY BONDS, &c.

Much has been said about the railway bonds held by the Canada Agricultural Insurance Company. Here is the explanation: I sold to the Company \$88,000 bonds of the Montreal, Portland, and Boston Railway, at 75, on account of which ten-per-cent stock was accepted. The Canadian Insurance commissioner, not approving of the Company holding bonds of any railway,—although the American insurance companies use them largely as a favorite investment,—the Board of Directors, in February last, passed a resolution authorizing me to take back the bonds at the same price as paid, and to surrender a similar amount of stock. I told them I did not consider the Company could purchase its own stock, and I did not want to see them do an illegal act. I therefore offered to take the bonds, and give my note in payment, for which the Company could hold a corresponding amount of ten-per-cent stock as collateral; *it being distinctly understood that the note represented the stock, and had no money value*. This note is a portion of the \$47,000 notes which the Company hold against me, and about which so much has been said; the balance of those notes being the amount represented in the \$50,000 stock transaction, against any loss upon which, as I have before stated, the Directors engaged to protect me. Albeit, although I gave the note for the bonds with the express understanding that it represented no money value, as the Company were in desperate straits for want of money, during the past summer, I gave them \$15,500; and, instead of treating it as a loan, it was indorsed upon the bond note, thus in fact making the Company a present of the money. Instead, therefore, of my being indebted to the Company, it is honestly and justly owing me a very large sum.

As regards Mr. Ross's charge, that there are some errors in the accounts, I can say nothing, as I have no idea to what he specially alludes. He is not sufficiently explicit, and I have not been afforded, face to face with the accounts, the opportunity of making any explanations. If the cash vouchers are not in the Company's office, I know nothing about them, as they have been always in the custody of the cashier or book-keeper. As for myself, I was not Secretary during the present year, having resigned office in November, 1876.

Mr. Ross speaks of the heavy expenses of the Company. He is, I must say, correct in his allusions to this account. These heavy expenditures were, in a measure, unavoidable, from the peculiar nature of the business done by the Company, it being apparent to any candid mind that the expense of doing a farm-property business—the average premium upon its policies being about \$7.50 each—is very much heavier than that of commercial risks. This account has been very largely augmented by the extra inspection and consequent expense rendered necessary by the condition of the Watertown Company's business. Again: the Company has been working under a false system of general agencies and premium-notes, both of which have cost large amounts of money, upon both of which I have tried hard to make improvements; but which, owing to the fact of these systems being to a great extent under the influence of *Directors interested in their maintenance*, I was powerless to effect. Personally, I have used my best efforts to re-

duce the expenses of the Company; indeed, so great was my anxiety to do this, and my endeavor to set an example to others who seemed so selfish and greedy in their own interests, that I remitted my salary altogether during the past year, and worked without remuneration of any kind.

While writing this, my attention has been directed to an item in "The Daily Star" of this date, in which I notice the following:—

"We have been informed that Mr. Goff's assertion, that he was refused information necessary for his defence, is not exact. Owing to his having taken away two books, which he has not returned, and obtained a number of promissory notes from the book-keeper, under the pretext of collecting their amounts, and then refusing to give them up or account for the money, he was told by the Secretary he could not take away any more books or documents out of the office. This, however, will not preclude him from getting access to the books in the office under proper supervision."

I do not know who gave this information to "The Star," nor do I care, as the statement is a *deliberate falsehood*. I met Mr. Campbell, the Secretary of the Company, on the 17th instant, and told him I would call at the office that afternoon, and wanted access to the minute-book and other books of the Company, in order to answer the charges made against me in Mr. Ross's Report; and was told by him that his instructions would not permit of his granting my request, and that I could only have the *privilege* by a resolution of the Board of Directors. He added that he did not know when they would meet again.

I have not taken away from the Company's office any book or books belonging to the Company. When I was taking my private books and papers from the Company's office, Mr. Ross requested me to lend him two memorandum-books, my own property; and I promised to do so. Mr. Ross has not kept faith with me, according to his promise to give me an opportunity of explaining the accounts; but I have not yet refused to *lend* him the books that he desired. I submit, now, whether, under the circumstances, I am in any way bound to extend such a courtesy to him.

In regard to the notes: A few days after my resignation as Manager, and while I was still in the office assisting the management, I took premium-notes to the extent of nine hundred dollars, which I believed I could collect; and, as is customary with this Company, whenever a note leaves the office for any purpose whatever, the notes were charged to my account. At the time, the Company were borrowing money from me, and owed me several thousand dollars, *borrowed only for a few days*, not a dollar of which has been returned to me. I therefore refused to return the notes. If there is a stockholder in the Canada Agricultural Insurance Company who says I am wrong, I should like to hear from him.

Very respectfully,

EDWARD H. GOFF.

MONTREAL, 20th December, 1877.

[From the "MONETARY TIMES," TORONTO, Dec. 28, 1877.]

"FREEZING OUT" POLICY-HOLDERS.

The position taken by the Directors of the Canada Agricultural Insurance Company since its failure is not by any means creditable to these gentlemen. They, by their silence, intimate to their policy-holders in effect this: If you desire to protect yourselves in other Companies, you should send in your policies to be cancelled; otherwise, in the event of loss, your position would not be a pleasant one. But should you continue to

be insured in this Company, and a claim arise, you will then share its assets *pro rata* with other creditors. This is cold comfort for insurers who wish to feel themselves secure. But to insure elsewhere would be to forfeit all claim for rebate. It is understood that the Company has at present at risk about \$24,000,000, and every re-insurance that is now effected relieves it from just so much liability either for rebate or for loss by fire. *We understand that the Directors have had what is regarded as a reasonable offer to re-insure their risks, and one that the Company is supposed to be in a position to accept, if they call upon their shareholders to pay; but they decline to do this, which amounts to what is called "freezing out" its policy-holders. This, to put it mildly, is wrong. To assume a risk, and afterwards wilfully attempt to evade the responsibility of so doing, is dishonest.*

What is a directorate? Plainly, a body of men chosen to direct and control the affairs of a company in which they have an interest. Have these gentlemen done this? We think not. They must have had an inadequate idea of their responsibility. Would any body of men pretending to the direction of an ordinary business-operation have "gone it blind" as these Directors appear to have done?

Risks to the value of many millions assumed without adequate provision for re-insurance; expenses covered up by fraudulent book-keeping entries; profits purporting to be shown from speculation in bonds of very questionable value; constant efforts to finance for means of existence by accommodation-paper, while bonds and debentures were being purchased as investments when the Company had no money to invest; fire-losses accumulating which could not be met; suits threatened and actually issued for rent of premises; resolutions intended to be passed at Board meetings used for improper purposes in spite of remonstrance; inquiries for statements of accounts ignored or systematically set at defiance;—and yet, in the face of all this, they weakly consent, because of the reiterated demands of their Manager, to condone transactions of an extremely doubtful nature.

It is quite time that directors were taught a lesson of duty. When men meet, as the Directors of this Company did, and pocket their five dollars a sitting, it is but fair that a measure of responsibility should attach to the remuneration.

This revelation must occasion the fear that there are other organizations deserving the inspection of the commercial anatomists. It is also a melancholy fact that men of high probity and honorable feeling in other matters have so far lost themselves as to have become partakers in transactions such as we have enumerated, without indignant remonstrance, though surely not without a twinge of conscience. We believe that, to a certain extent, the Directors of the Company have been imposed upon by an unscrupulous and designing man; but, while granting this, there were surely circumstances that should have called for more supervision than has been given.

We have not space to allude to all the startling facts that crop out in "Interim Report of Mr. Ross; but we desire to make some pertinent inquiries, which, in the interests of commercial morality, ought to be answered by the President.

How much stock did he subscribe for in this Company? and how did he pay the instalments? Were they paid by his receipt of a large commission for procuring stock, and by Montreal, Portland, and Boston Railroad bonds at eighty per cent, the market value of which was questionable? And, *apropos* of the railroad bonds, were they *bona fide* or, as the rumor goes, is there an over-issue of the bonds of this railway with which he was so closely connected?

How comes it that in his sworn statement to the Government, in March, 1877, he says he has subscribed for \$105,000 worth of stock, of which \$15,000 is paid up, when he was at that time the owner of only one hundred and twenty-eight shares of paid-up stock, worth \$12,800 at best, and these received by transfer from Mr. E. H. Goff, and, in part at least, as collateral only?

Did he make it his duty to inspect and see how the cash was kept between September, 1875, and February, 1876? and was he aware that it was lodged in bank to the private account of the Manager, and what was the monthly balance, and how was it used during that interval?

Receiving, as he was, a large commission for procuring subscribers to stock, did this prevent him from challenging payments of commissions to some person or persons unknown, for which there are no vouchers?

Was he aware that the Manager or Cashier was discounting the Company's stock-notes, or notes for payment of instalments on stock, and using the same, and using the Company's indorsement to float these and other notes?

Did he, or did he not, know that he assisted in furthering irregular transactions under cover of the Company's indorsement, such, for instance, as the Three-Rivers bonds matter?

Let us now appeal to the Directors for replies to a few questions equally plain.

Seeing that they had made the Government deposit of over \$50,000 in bonds, and that they were in distress for funds, why did they not remonstrate against their Manager purchasing bonds? Did they ever inspect *in detail* the accounts of the Company? and did the large and unprecedented expenses not strike them as excessive? Did they inspect the loss-register of the Company, and compare that with the statements issued? and did they compare the losses and expenses with the premium receipts of the Company? While sanctioning the reduction of the Company's capital to twenty-five per cent paid up, did they do so in accordance with the resolution of the shareholders? Did they ever take steps to have this resolution legalized by sanction of the Legislature? and did they ever take the proper means to see that said resolution was carried out for the understood purpose of relieving the stock held by the Bank of Commerce? and has this been done? Is it not a fact that their Manager has grabbed the proceeds of the proposed reduction where made, and has left the said stock intact in the hands of the banks?

Have they not attempted to take advantage of the illegal action for reduction of the stock, thus hampering the due liquidation of the Company's indebtedness?

It is to be hoped that the shareholders, at their approaching meeting, will put men at the helm who will do their duty; and that duty is plain. The approaching Report is anxiously awaited by the public; and we have no doubt Mr. Ross will let the truth see daylight.

We do not doubt that the Directors have felt their position keenly, and that they have shown anxiety to retrieve the Company's lost position. But if, as we believe, the true replies to our interrogatories will show them to have been unfaithful to their trust, *the best thing they can do is at once to re-insure on the terms already offered.* Otherwise let them issue a circular to their policy-holders, asking them either to send in their policies for cancellation, and to secure their rebate as soon as the money can be procured, or take their chances along with other creditors. Nothing short of this will extricate the Directors from the unenviable position they now occupy.

